1980 annual report

File

NUMAC
OIL & GAS LTD.

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Chicago, Illinois

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Calgary, Alberta

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Numac Oil & Gas Ltd.
Edmonton, Alberta

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President
Numac Oil & Gas Ltd.
Edmonton, Alberta

W. Darcy McKeough
President & Chief Executive Officer
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Ronald D. Larmour
Vice-President & Treasurer

Stewart D. McGregor
Vice-President, Corporate Affairs

C.R.S. Montgomery
Vice-President & Secretary

Wilfred J. Wilson
Vice-President, Exploration

ABOUT THE COMPANY

Numac Oil & Gas Ltd., founded in 1963 by William S. McGregor, is primarily an independent oil and gas producer with extensive conventional oil and gas properties in Alberta and British Columbia. The Company also commenced a substantial oil and gas exploration program in the United States during 1980. In addition the Company has a 25% interest (10% working and 15% carried) in the Midwest Lake uranium discovery in Northern Saskatchewan, a significant interest in the Surmont heavy oil property in Northeastern Alberta (5% carried convertible to 12½% working) and a 20% net preferred carried interest in 270,000 acres in the Mackenzie Delta. Numac is also involved, to a lesser extent, in oilfield construction, real estate and exploration for other minerals.

Numac is based in Edmonton, Alberta and is listed on the Toronto and American stock exchanges.

HIGHLIGHTS

	1980	1979
Revenue	$20,216,188	$20,005,960
Cash Flow	$13,488,749	$13,161,418
Per Share	$ 1.47	$ 1.49
Net Earnings	$ 6,905,455	$ 6,199,770
Per Share	$ 0.75	$ 0.70
Shares Outstanding	9,419,132	8,851,132

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ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held at the Edmonton Plaza Hotel, Edmonton, Alberta, Canada at 9:00 a.m. local time on June 25, 1981. A formal notice of meeting, information circular and form of proxy are enclosed with this report.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Three Months Ended March 31,1980

	1980	1979
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Net earnings	$ 888,589	$ 1,469,348
Items not requiring funds	1,493,103	1,464,896
FUNDS FROM OPERATIONS	2,381,692	2,934,244
Proceeds of sale of fixed assets	14,517	187,500
Other	48,542	—
	2,444,751	3,121,744
FINANCIAL RESOURCES USED FOR		
Resource expenditures	5,201,927	5,037,399
Plant and equipment ...	625,497	272,989
Reduction of long-term debt	240,000	118,110
Dividends	885,113	885,113
Other	—	28,865
	6,952,537	6,342,476
DECREASE IN WORKING CAPITAL ...	4,507,786	3,220,732
WORKING CAPITAL (DEFICIENCY), JAN. 1 ...	3,552,764	(3,954,618)
WORKING CAPITAL (DEFICIENCY), MAR. 31 .	$ (955,022)	$ (7,175,350)

NUMAC OIL & GAS LTD.

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REPORT TO SHAREHOLDERS

THREE MONTHS ENDED MARCH 31, 1980

NUMAC OIL & GAS LTD.

TO THE SHAREHOLDERS:

Net earnings and cash flow for the first three months of 1980 were lower than for the corresponding period in 1979. This was primarily attributable to increased bank borrowing for the Company's active exploration program and record high interest rates. Further factors were the lack of markets for the Company's growing inventory of gas reserves which now includes interests in over 150 shut-in wells and a non-recurring gain of $365,000 included in the first quarter of 1979 from the sale of investments.

Lack of natural gas markets coupled with low net receipts from Alberta oil production, as compared with prices available in the United States, has compelled Numac, in association with experienced U.S. partners, to direct a portion of its exploration budget to the United States in search for oil and gas. Numac's management was reluctant to make this move and the depth of its commitment to explore in the United States will be reviewed from time to time having regard to the upcoming Federal /Provincial negotiations with respect to oil pricing and the exploration incentives evolving therefrom.

Despite the fact that Canada is one of the few Western countries that has the opportunity of becoming energy self-sufficient, very little is being done at political levels to encourage our industry to achieve this essential goal. At present Canadian explorers receive only $14.75 per barrel for light gravity oil while the federal government eagerly pays Mexico and the OPEC countries from $27.00 to $40.00 (U.S.) per barrel which has a direct negative effect on Canada's balance of payments. On the other hand light gravity oil exported from Canada to the United States is taxed at the rate of $26.00 per barrel to subsidize oil imports into Eastern Canada at a projected cost of $4 billion in 1980 alone. Further, the already overburdened Canadian taxpayers are subsidizing foreign trucks, cars, airplanes and boats of all sizes when they fill their tanks with cheap Canadian diesel fuel and gasoline. Furthermore, there is no incentive for Canadians to conserve our depleting reserves of diesel fuel and gasoline at today's prices. In addition, not one heavy oil plant has been given the go-ahead since the Syncrude plant in 1973. At least three heavy oil plants should be in various phases of construction at all times because Canada needs them to become self-sufficient.

At a May 1st Federal Oil and Gas Rights Sale, Numac acquired a 15% interest in an additional 66,000 gross acres of land on the Blood Indian Reserve. This acquisition brings the Company's holdings in this fast developing Blood/Claresholm oil play to interests ranging from 10% to 50% in over 155,000 gross acres. Commencing in June at least three holes will be drilled on these properties during 1980.

The Temple/Trutch/Buckinghorse area, in which Numac has interests ranging from 19% to 40% in over 140,000 gross acres, is considered to be Numac's most exciting play in British Columbia. The Company now has ten wells cased for gas in Temple, two in Trutch and two on its Buckinghorse acreage.

Numac initiated a secondary recovery scheme in the Red Earth field and has drilled two new oil wells and one injection well for Slave Point production. Several other wells are anticipated to be drilled in 1980 to follow up on this project.

W. S. McGregor

W.S. McGregor
President & Managing Director

Edmonton, Alberta
May 14, 1980

CONSOLIDATED STATEMENT OF EARNINGS
Three Months Ended March 31, 1980

	1980	1979
REVENUE	$ 4,365,497	$ 4,257,951
EXPENSE		
Operating	1,007,055	927,554
General and administrative	175,520	155,570
Interest on long-term debt	944,251	103,947
Other interest	124,105	311,553
Depletion and depreciation	839,549	614,066
	3,090,480	2,112,690
EARNINGS BEFORE INCOME TAXES	1,275,017	2,145,261
INCOME TAXES		
Current	(255,030)	(228,500)
Deferred	641,458	904,413
	386,428	675,913
NET EARNINGS	$ 888,589	$ 1,469,348
CASH FLOW	$ 2,381,692	$ 2,934,244
PER SHARE		
Net earnings	$ 0.10	$ 0.17
Cash flow	$ 0.27	$ 0.33
DIVIDENDS	$ 885,113	$ 885,113

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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Six Months Ended June 30, 1980 (Unaudited)
(Canadian Dollars)

	1980	1979
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Earnings before extraordinary item	$ 1,713,615	$ 2,434,361
Items not requiring funds	2,809,203	2,583,285
CASH FLOW FROM OPERATIONS	4,522,818	5,017,646
Issue of Common Shares	21,972,610	-
Other	645,258	363,820
	27,140,686	5,381,466
FINANCIAL RESOURCES USED FOR		
Resource properties	14,132,571	11,921,406
Plant and equipment	1,220,501	881,788
Reduction of long-term bank loan	6,000,000	-
Reduction of real estate loans	240,000	118,110
Dividends	885,113	885,113
Increase in Key Employee Stock Purchase Plan Loans (net)	1,683,215	(13,967)
	24,161,400	13,792,450
INCREASE (DECREASE) IN WORKING CAPITAL	2,979,286	(8,410,984)
WORKING CAPITAL (DEFICIENCY), JAN. 1	3,552,764	(3,954,618)
WORKING CAPITAL (DEFICIENCY), JUNE 30	$ 6,532,050	$(12,365,602)

NUMAC OIL & GAS LTD.

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REPORT TO SHAREHOLDERS

SIX MONTHS ENDED
JUNE 30, 1980

NUMAC OIL & GAS LTD.

TO THE SHAREHOLDERS

The high level of exploration over the last three years, though very successful, has had the effect of reducing net earnings due to higher depletion and interest expenses. The Company's earnings are also adversely effected by reduced gas markets which has created extended shut-ins of gas plants in the first half of 1980.

In June of 1980, Numac announced the sale of 500,000 treasury shares to Union Gas Limited of Chatham, Ontario which, in addition to netting Numac $20,250,000, will reduce interest costs and further strengthens the Canadian ownership of your Company.

An exploratory well was drilled on the Blood Indian Reservation which was not considered to be a commercial oil well in the Devonian formation but was completed as a Bow Island gas well. Two more exploratory tests will be drilled on this acreage during the third quarter.

On August 1, the Alberta government increased the price of oil by $2.00, from $14.75 to $16.75 per barrel. Unfortunately, no agreement was reached with the federal government as to an orderly escalation in oil prices on a yearly basis in order to attain 85% of the cost of imported oil. Imported oil presently costs approximately $37.00 per barrel.

In July, Ottawa passed legislation which approved the building of the southern portion of the Alaska gas line. This line will allow the movement of considerable amounts of shut-in gas from Alberta to United States markets.

Numac is presently drilling with experienced associates in Oklahoma, Texas, Alabama and Louisiana. The first well, Lorena Jones #15-1 in Canadian County, Oklahoma, was flow tested at the rate of 530 barrels of oil and 940 mcf of gas per day and is currently shut-in awaiting tank battery and gas pipeline connection. It is expected that Numac will participate in approximately 40 wells in the United States by year end.

On August 13, 1980 at a Special Meeting of Shareholders, approval was received for the increase of the Company's authorized common share capital from 20,000,000 to 40,000,000 shares and for the authorization of 4,000,000 Series Preferred Shares with a par value of $25 each. Management and directors believe that the increases in the Company's authorized capital will substantially improve its financing flexibility.

W. S. McGregor

W.S. McGregor
President & Managing Director

Edmonton, Alberta
August 14, 1980

CONSOLIDATED STATEMENT OF EARNINGS
Six Months Ended June 30, 1980 (Unaudited)
(Canadian Dollars)

	1980	1979
REVENUE	$8,276,842	$7,754,910
EXPENSE		
Operating	1,934,032	1,742,567
General and administrative	375,138	314,189
Interest on long-term debt	1,527,504	249,781
Other interest	399,127	721,313
Depletion and depreciation	1,524,514	1,244,267
	5,760,315	4,272,117
EARNINGS BEFORE INCOME TAXES	2,516,527	3,482,793
INCOME TAXES		
Current	(469,547)	(434,112)
Deferred	1,272,459	1,482,544
	802,912	1,048,432
EARNINGS BEFORE EXTRAORDINARY ITEMS	1,713,615	2,434,361
GAIN ON SALE OF LAND	143,754	37,293
NET EARNINGS	$1,857,369	$2,471,654
PER SHARE		
Earnings before extraordinary item	$ 0.19	$ 0.28
Net earnings	$ 0.21	$ 0.28
Cash flow from operations	$ 0.50	$ 0.57
DIVIDENDS	$ 885,113	$ 885,113

NOTE: The Company has adopted the policy of capitalization of interest costs on significant non-producing properties on which exploration and development is in progress. During 1980, $439,000 of interest has been capitalized (1979 nil).

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)
Nine Months Ended September 30, 1980
(Canadian Dollars)

	1980	1979
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Earnings before extraordinary item	$2,858,866	$3,323,509
Items not requiring funds	4,233,153	3,799,472
CASH FLOW FROM OPERATIONS	7,092,019	7,122,981
Issue of Common Shares	21,972,610	-
Proceeds from sale of land	2,506,020	-
Other	656,033	382,317
	32,226,682	7,505,298
FINANCIAL RESOURCES USED FOR		
Resource properties	21,104,741	19,529,268
Plant and equipment	1,539,620	941,439
Reduction of long-term bank loan	6,000,000	-
Reduction of real estate loans	240,000	237,841
Dividends	1,820,226	1,770,226
Increase in Key Employee Stock Purchase Plan Loans (net)	1,683,215	(20,629)
	32,387,802	22,458,145
INCREASE (DECREASE) IN WORKING CAPITAL	(161,120)	(14,952,847)
WORKING CAPITAL (DEFICIENCY), JAN. 1	3,552,764	(3,954,618)
WORKING CAPITAL (DEFICIENCY), SEPT. 30	$3,391,644	$(18,907,465)

NUMAC OIL & GAS LTD.

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REPORT TO SHAREHOLDERS

NINE MONTHS ENDED
SEPTEMBER 30, 1980

NUMAC OIL & GAS LTD.

TO THE SHAREHOLDERS:

Net earnings were $4.8 million or 52¢ per share for the nine months ending September 30, 1980 compared to $3.4 million or 38¢ per share for the first nine months of 1979. Included in net earnings are extraordinary gains on the sale of undeveloped real estate amounting to $1.9 million.

Primarily as a result of lower bank borrowings, the third quarter earnings before extraordinary items were $1,145,251 which is a 65% increase over the $693,725 reported for the second quarter.

Due to the complexity and unresolved items of the federal budget and the National Energy Program presented on October 28, 1980 which is still being debated in the House of Commons, we feel it is inappropriate to comment on it at this time. One point that should be noted is that the 25% back-in rights suggested being taken by the Federal Government only applies to federal lands and not to the lands in the provinces. None of the Company's oil and gas production and only 54,000 net acres of Numac's land holdings on which Numac has a carried interest are affected.

On September 29 the Company filed a preliminary prospectus in respect of convertible preferred shares to be offered in all provinces of Canada. This issue is presently being held in abeyance due to current market conditions and the uncertainty resulting from the federal oil and gas policies announced on October 28.

W. S. McGregor

W.S. McGregor
President & Managing Director

EDMONTON, Alberta
November 10, 1980

CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)
Nine Months Ended September 30, 1980
(Canadian Dollars)

	1980	1979
REVENUE	$11,997,895	$11,782,077
EXPENSE		
Operating	2,760,432	2,882,717
General and administrative	562,870	472,531
Interest on long-term debt	1,851,345	399,324
Other interest	454,384	1,402,492
Depletion and depreciation	2,147,912	1,802,602
	7,776,943	6,959,666
EARNINGS BEFORE INCOME TAXES	4,220,952	4,822,411
INCOME TAXES		
Current	(708,643)	(651,685)
Deferred	2,070,729	2,150,587
	1,362,086	1,498,902
EARNINGS BEFORE EXTRAORDINARY ITEMS	2,858,866	3,323,509
GAIN ON LAND SALES (Note 2)	1,900,652	37,293
NET EARNINGS	$ 4,759,518	$ 3,360,802
PER SHARE		
Earnings before extraordinary item	$ 0.32	$ 0.38
Net earnings	$ 0.52	$ 0.38
Cash flow from operations	$ 0.78	$ 0.80
DIVIDENDS	$ 1,820,226	$ 1,770,226

NOTE 1: The Company has adopted the policy of capitalization of interest on significant non-producing properties on which exploration and development is in progress. During 1980, $671,704 has been capitalized (1979 nil).

NOTE 2: On September 24, 1980 an agreement was reached for the sale of undeveloped real estate property resulting in an extraordinary gain of $1,756,898 after deducting deferred income taxes of $539,700.

REPORT TO SHAREHOLDERS

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SIX MONTHS ENDED
JUNE 30, 1981

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OIL & GAS LTD.

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OIL & GAS LTD.

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CONSOLIDATED STATEMENT OF EARNINGS (Unaudited) SIX MONTHS ENDED JUNE 30, 1981 (Canadian Dollars)

	1981	1980 (see note)
REVENUE	$6,755,594	$8,276,842
EXPENSE		
Operating	1,567,964	1,934,032
Petroleum and Gas Revenue Tax	462,000	—
General and administrative	458,153	375,138
Interest on long-term debt (net of $884,849 capitalized; 1980 $439,000)	1,393,479	1,527,504
Other interest	456,771	399,127
Depletion and depreciation	1,493,675	1,524,514
Foreign Exchange loss	45,110	—
	5,877,152	5,760,315
EARNINGS BEFORE INCOME TAXES	878,442	2,516,527
INCOME TAXES		
Current	(466,475)	(469,547)
Deferred	862,358	1,272,459
	395,883	802,912
EARNINGS BEFORE EXTRAORDINARY ITEM	482,559	1,713,615
GAIN ON SALE OF LAND	473,445	143,754
NET EARNINGS	$ 956,004	$1,857,369
PER SHARE		
Earnings before extraordinary item	$ 0.05	$ 0.19
Net earnings	$ 0.10	$ 0.21
Funds from operations	$ 0.30	$ 0.50
DIVIDENDS	$ 941,913	$ 885,113

NOTE: On Jaunary 1, 1981 the Company's investment in Nu-Alta Developments Ltd. was converted to a partnership. The 1981 accounts reflect the Company's 60% share of earnings of the partnership, $70,600, but do not include the share of the various revenue and expense items as in 1980 when the proportionate consolidation method of accounting was applicable.

If the change to a partnership had taken place at January 1, 1980 the 1980 figures for the following selected financial statement items would have been as follows: Revenue $7,486,655; Total expenses $4,970,128; Working capital $6,337,485. Earnings before income taxes and net earnings would be unchanged.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited) SIX MONTHS ENDED JUNE 30, 1981 (Canadian Dollars)

	1981	1980 (see note)
SOURCES OF WORKING CAPITAL		
Operations		
Earnings before extraordinary item	$ 482,559	$ 1,713,615
Items not requiring funds	2,348,265	2,809,203
FUNDS FROM OPERATIONS	2,830,824	4,522,818
Term bank loan	20,750,801	(6,000,000)
Issue of Common Shares	—	21,972,610
Key Employee Stock Purchase Plan (net)	42,194	(1,683,215)
Other	492,445	645,258
	24,116,264	19,457,471
USES OF WORKING CAPITAL		
Resource properties	20,831,191	14,132,571
Plant and equipment	2,795,701	1,220,501
Dividends	941,913	885,113
Other	181,737	240,000
	24,750,542	16,478,185
INCREASE (DECREASE) IN WORKING CAPITAL	(634,278)	2,979,286
WORKING CAPITAL, JANUARY 1	2,121,776	3,552,764
WORKING CAPITAL, JUNE 30	$ 1,487,498	$ 6,532,050

TO THE SHAREHOLDERS:

Net earnings for the first six months of 1981 were $956,000 ($0.10 per share) compared with $1,857,000 ($0.21 per share) for the first six months of 1980. This decline is primarily the result of the Canadian Federal Government's 8% Petroleum and Gas Revenue Tax (PGRT) ($462,000) and exploration expenses arising in the United States subsidiary ($529,000). The subsidiary, which was incorporated in 1980, is involved in a very active exploration program in the United States where expenses have been incurred while revenue from these properties is just commencing. The Canadian National Energy Program (NEP) not only reduced revenues by imposition of the PGRT but also caused retaliation by the Alberta Government in the form of oil production cutbacks which commenced on March 1, increased again on June 1 and are scheduled to increase again on September 1. Earnings are also adversely effected by the current record high interest rates and present natural gas market conditions in Canada.

The dispute between the Federal and Alberta Governments over prices and revenue sharing continues, however, it appears there is a chance of a new energy agreement soon after their next meeting scheduled for August 26 at which time it is expected the temporary Alberta imposed production cutbacks will be eliminated and oil prices will increase.

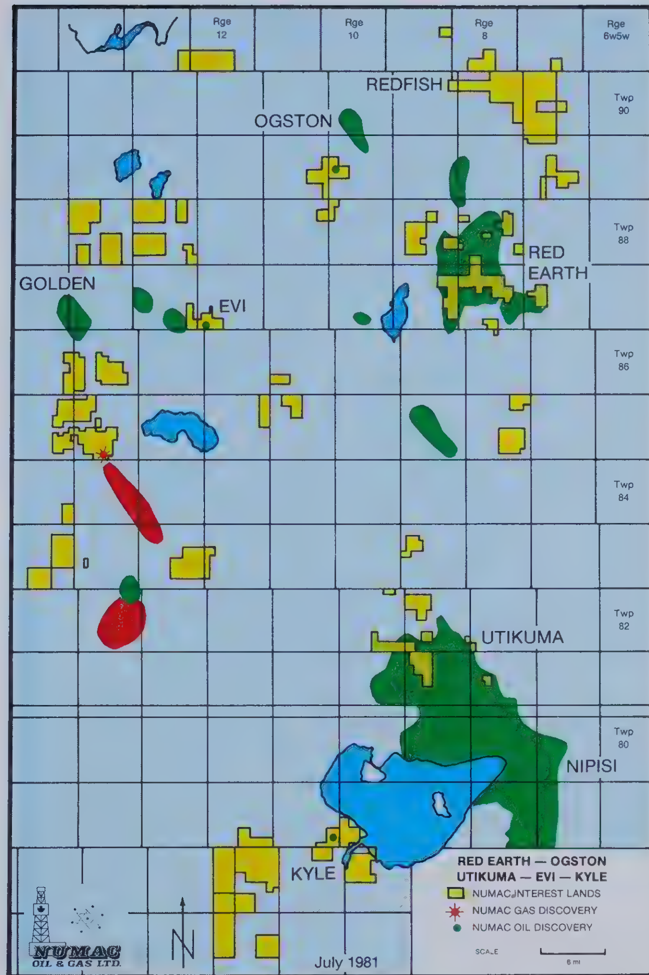
As reported in the first quarter report, Numac continues to expand its exploration efforts in the United States where we expect to invest approximately $20 million in 1981. Michigan, Texas and Louisiana continue to be the most interesting areas of involvement where the results from several key wells are expected during September.

Your Company has a 50% interest in a recently completed oil well in northeastern British Columbia which tested in excess of 300 barrels of oil per day. Another 50% owned well in Alberta tested at rates of over 1,000 barrels of oil per day. These and other new oil and gas developments in Alberta, some of which are highlighted on the accompanying maps, will increase the Company's reserves and production.

W. S. McGregor

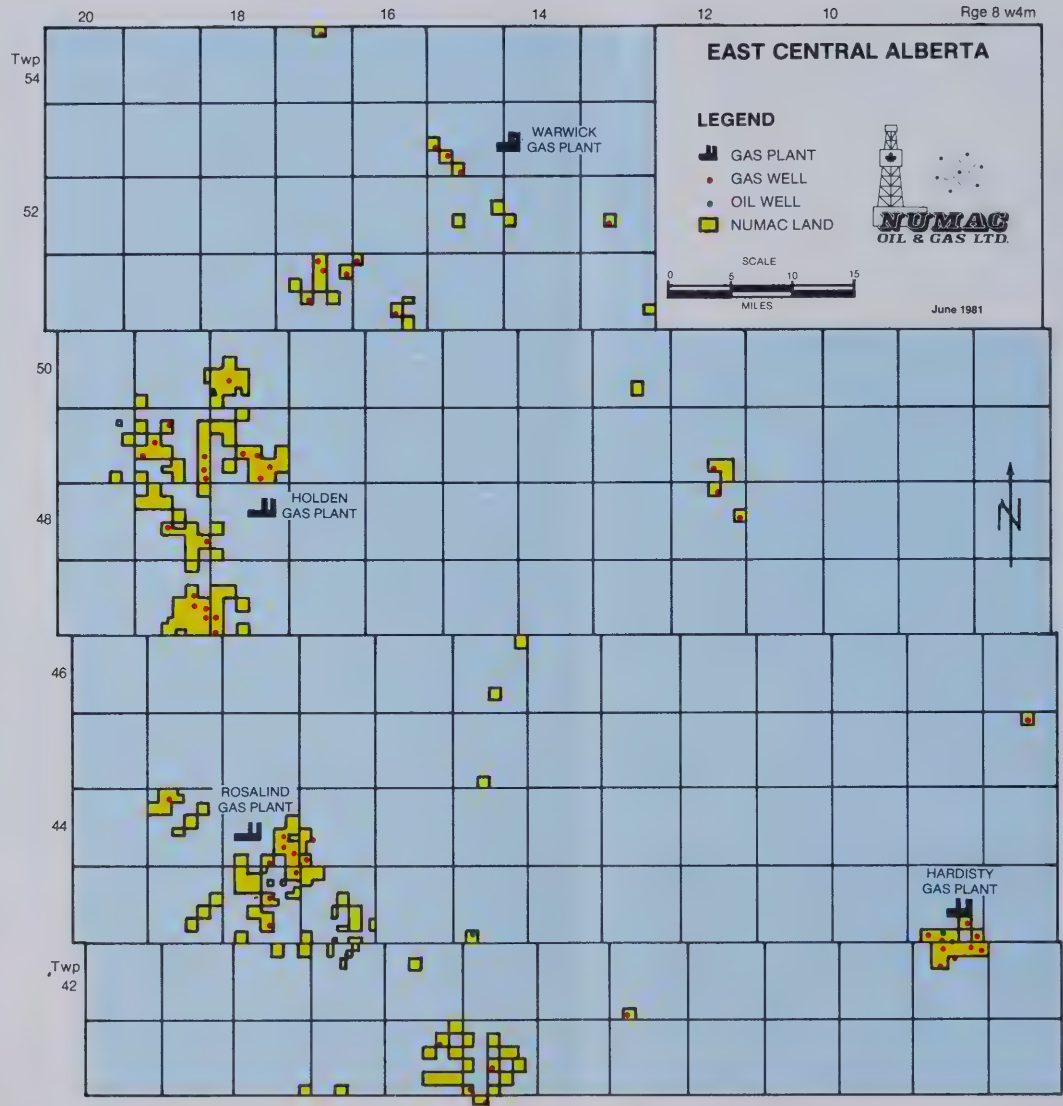
Edmonton, Alberta
August 12, 1981

W. S. McGregor
President & Managing Director



The Slave Point development program in Red Earth which was drilled during the 1980-81 winter season has been completed with a total of 17 producing wells and 6 water injection wells on a five section block. Water injection began early in July, a favorable production response has been experienced and early indications point to a successful program.

The accompanying map shows Numac's holdings in the general area on which three significant discoveries have been made, the information on which has not been released, but the indications are that these areas will add substantially to both Numac's reserves and production during the next twelve months.



Numac's participation in the very successful joint venture program in the approximately 4 million acre block in Eastern Alberta is continuing. The entire area is dedicated to a gas purchase contract, and consequently, Numac has a ready market for its share of the gas production from this area. Numac has an interest in a total of 76 wells in this joint venture block, 56 of which are oil or gas wells. Twenty-two of these wells have been tied-in for production, 20 for gas and 2 for oil. An additional 6 wells are being completed for tie-in to production in the near future. Gas sales from this area commenced in January of this year.

Your Company has an interest ranging from 8.3% to 25% in 3 gas plants in this area, all of which are now on stream. These plants are located at Hardisty, Warwick and West Holden. Numac has varying interests in approximately 110,000 acres, of which approximately 14,000 acres were acquired between January 1, 1981 and June 30, 1981.

Numac and its partners are continuing an aggressive drilling and land acquisition program. The Operator of the joint venture is pursuing an active program of development, farmins and purchases of Crown rights.

11 W5M in which Numac has a 33 1/3% interest in 12,500 gross acres.

In the Lubicon area the Company has recently acquired a 25% interest in 5,760 acres in association with Hudson's Bay Oil and Gas Company Limited (25%), CDC Oil & Gas Ltd. (25%) and Total Petroleum (North America) Ltd. (25%) for a total bonus consideration of $1,735,257. The Company considers this acreage to be oil prospective.

In summary, management considers Numac to be well positioned in terms of opportunities for oil exploration in Alberta which, amongst other, is evidenced by its interests in approximately 183,000 gross acres of lands shown on the accompanying map.

S. D. McGregor.

Edmonton, Alberta
October 13, 1981

Stewart D. McGregor
Vice-President, Corporate Affairs

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NUMAC OIL & GAS LTD.

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INFORMATION FOR THE SHAREHOLDERS

Oct 13, 1981

NUMAC OIL & GAS LTD.

TO THE SHAREHOLDERS:

On September 1, 1981 the governments of Canada and the Province of Alberta concluded a Memorandum of Agreement (the "Agreement") relating to Energy Pricing and Taxation. The Agreement sets out the compromise arrived at between the two levels of government with respect to the pricing and taxation of crude oil, natural gas, synthetic crude oil and natural gas liquids produced in Alberta for the period September 1, 1981 to December 31, 1986.

In response to numerous inquiries from shareholders and the financial community, we wish to provide an overview of those aspects of the Agreement which are particularly relevant to Numac and to update our shareholders with respect to some of the Company's current exploration activities.

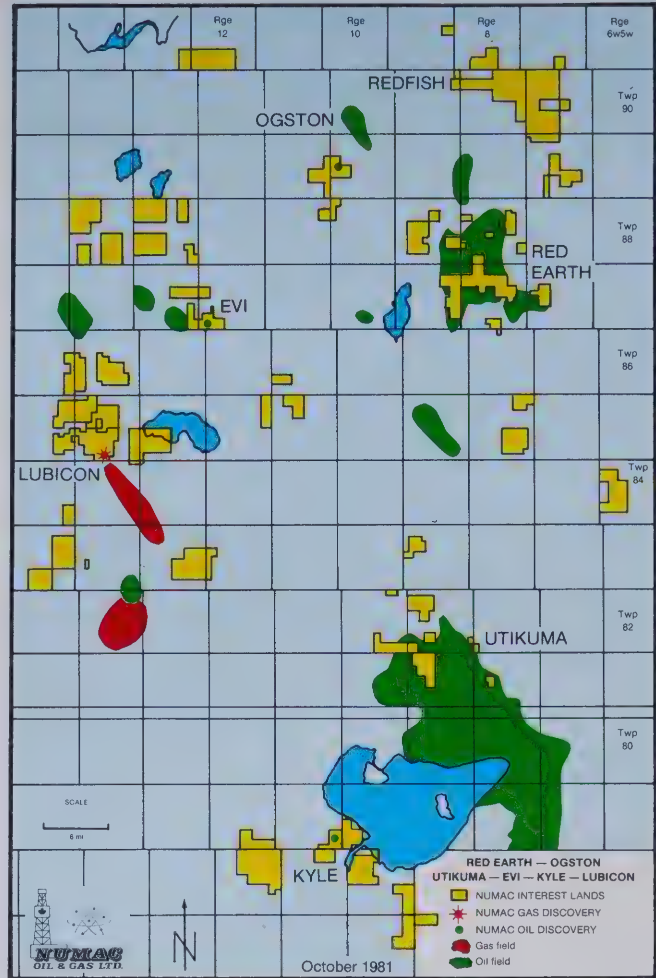
Perhaps the most important feature of the Agreement is that it distinguishes between conventional "old oil" and "new oil" for pricing purposes. Old oil is defined in the Agreement to mean oil recovered from a pool initially discovered prior to January 1, 1981. On September 24, 1981 the Alberta government clarified the definition to specifically include oil discovered outside the boundaries of a "pool" as defined by the Alberta Energy Resources Conservation Board as of December 31, 1980. Essentially, a "pool" is limited to the spacing unit around a discovery well which, in Alberta, is 160 acres. The implications of this are that oil produced from what are generally referred to as "stepout" or "development" wells will, in many cases, qualify for new oil prices.

Having distinguished between old oil and new oil, the Agreement provides for a schedule of increased prices for old oil and new oil during the term of the Agreement. There are several factors which influence the pricing schedule and producer netbacks; however, the following table summarizes (in Canadian dollars) the estimated cash flow per barrel (revenue before income taxes) to Numac for both old and new oil during the term of the Agreement.

	"Old" Oil	"New" Oil
1982	$ 9.15	$25.96
1983	10.90	28.51
1984	13.82	31.35
1985	16.01	34.46
1986	19.16	37.89

We have not shown after tax netbacks as Numac does not pay income taxes and is not expected to do so for the foreseeable future.

We view the netbacks for old oil as disappointing as it is the cash flow from prior discoveries which provide the funds for ongoing exploration activities. We are, however, encouraged by recent statements by the Premier of the Province of Alberta that the Agreement may contain "some anomalies and perhaps inequities" and "based on concrete and substantive submissions by companies prepared to explore in Alberta we will, in the weeks ahead, make adjustments and modifications to overcome those anomalies . . . with particular attention to the cash position of small gas producers and small oil producers." We are hopeful that these modifications will be forthcoming in the near future.



On the other hand we are very pleased with netbacks for new oil which compare favorably with those in the United States.

As regards gas pricing under the Agreement there is, in our analysis, no material change to producer netbacks; however, we are encouraged by the emphasis which the Agreement places on the development of new gas markets. Although Numac has recently been successful in arranging several new gas contracts, the Company continues to have a substantial inventory of shut-in gas.

The Federal government has also recently concluded an energy agreement with the Province of British Columbia on substantially the same terms as the Agreement with Alberta. Outside of Alberta the Company's primary area of exploration activity has been in the Province of British Columbia.

Numac has a large exploratory land position which, in the opinion of management, has the potential to add significantly to Numac's oil reserves and future earnings. Management can identify several oil-prone areas in Alberta in which the Company has significant land positions, production from which should qualify for new oil prices. These areas, several of which are shown on the accompanying map, include EVI, Lubicon, Kyle, Red Earth (secondary recovery project), Ogston, Redfish, Utikuma, Gold Creek, Wembley and Claresholm-Blood.

Of particular current interest are the areas known as EVI, Kyle and Lubicon.

In the quarterly report to shareholders for the six months ended June 30, 1981 reference was made to "a 50%-owned well in Alberta (which) tested at rates over 1,000 barrels of oil per day". Due to ongoing land acquisition activities in the area we were not able, at that time, to more specifically identify this play. We can now, however, state that the discovery well, Uno-Tex EVI 9-6-87-12 W5M, tested oil at the rate of approximately 1,200 barrels per day at 100 psi flowing pressure on a 1" choke. The well was drilled by Husky Oil Operations Ltd., as operator, on a 1,920-acre lease. Numac and Husky each have a 50% interest in this discovery.

At the May 6, 1981 Alberta Crown Lease Sale Numac, Husky and Norcen Energy Resources Limited each acquired a 33 1/3% interest in 1,600 acres immediately offsetting the discovery for a total bonus consideration of $464,345.

Subsequently, at the August 26, 1981 Alberta Crown Lease Sale Numac acquired a 65% interest in 2,560 acres in the vicinity of the discovery in association with Union Gas Limited (20%) and Precambrian Shield Resources Limited (15%).The total bonus consideration was $4,546,406.

These acquisitions bring Numac's total land holdings in the EVI area to 6,080 gross acres. The Company intends to actively pursue the exploration and development of these properties.

At Kyle, on the south side of Utikuma Lake, the Company acquired a 50% interest in 6,400 acres in association with CDC Oil & Gas Ltd. for a total bonus consideration of $518,835. This acreage is approximately six miles southeast of a significant oil discovery in 10-1-79-

PRESIDENT'S REPORT TO SHAREHOLDERS

1980 proved to be a very trying year for the Canadian oil and gas industry. There was a continued failure by government to develop new markets for gas reserves which are substantially surplus to Canadian needs. The situation was further aggravated by the introduction of the National Energy Program (NEP) which continued to stress the imposition of artificially low oil prices to the Canadian producer and introduced onerous new taxes at the wellhead for both oil and gas. That such a policy is unrealistic is perhaps best illustrated by the fact that the federal government seemed pleased to pay from $38 to $43 per barrel to import inferior grades of foreign oil but at the same time held Canadian producers to a price which ranged from $14.75 to $16.75 per barrel for high grade light gravity crude.

This failure to develop markets and the NEP will inevitably result in the continued exodus of drilling rigs, technical personnel and capital to the United States where the economic environment for oil and gas exploration is more attractive. In the meantime, the cost of imported oil will have a negative impact on the Canadian balance of payments in excess of $6 billion for 1981 alone. This serious undermining of the Canadian economy will only accelerate unless there are substantial changes made to the NEP.

Notwithstanding the above, your Company has continued its growth pattern although improvements in revenue and cash flow over 1979 were quite modest. Revenue for 1980 was $20,216,200 as compared with $20,006,000 for 1979. Cash flow from operations in 1980 was $13,489,000 as compared with $13,161,000 for the previous year. Net earnings improved from $0.70 for 1979 to $0.75 for 1980. Earnings before extraordinary items, however, declined from $0.69 to $0.55 over the period. This decline in earnings is primarily attributable to the fact that Numac, following commencement of its United States exploration program in mid-1980 through its wholly-owned subsidiary Numac Oil & Gas Inc. ("Numac Inc."), spent approximately $6 million on land acquisition and exploration activities. At year end many of the properties in which Numac Inc. is involved were in preliminary stages of exploration and development making it difficult to substantiate reserves and land values notwithstanding considerable exploration expenditures thereon. As a result the Company has had to write down significantly the investment of Numac Inc. in certain properties. Although these properties have been written down for accounting purposes, we believe that, following further evaluation, the Company's investment will be fully recovered.

In view of the political and economic uncertainties now prevailing in the Canadian oil and gas industry, Numac is now actively engaged in oil and gas exploration activities in the principal oil and gas exploration areas of the United States. In addition the Company has, since December 31, 1980, become a participant in a substantial exploration program being conducted in the Michigan Basin. The Company plans to increase its exploration expenditures in the United States in 1981.

In Canada, Numac spent $27 million on exploration and development during 1980 but will cut back on Canadian exploration in 1981 unless oil and gas netbacks improve substantially. During 1980 the Company increased its oil reserves and gas reserves by 6.1% and 24.5%, respectively, which increases were in excess of the oil and gas produced and sold during the period.

Gulf Canada Resources Inc. and the Alberta Oil Sands Technology and Research Authority are continuing their preliminary work on a $90 million experimental in-situ project to recover heavy oil from Numac's 119,000-acre Surmont property. It is anticipated that this project, if successful, could be readily expanded into a commercial operation.

Numac, as operator, has a majority interest in and has just completed a 20-well secondary recovery project for oil production from the Slave Point formation at Red Earth. This program, when fully operational, will increase the Company's oil reserves and daily production substantially.

The Midwest Lake uranium property is projected to be in production in the mid-1980s and towards that objective Esso Resources Canada Limited, as operator, is in the process of completing development drilling, environmental and design studies preliminary to commencing development of the mine itself.

More detailed comment with respect to the above and other activities of the Company are contained within the body of this report.

During the year Mr. Marshal Stearns, a director since inception of the Company, retired from the Board. The Board wishes to extend Mr. Stearns its appreciation for his valuable counsel over the years. Mr. W. Darcy McKeough, President and Chief Executive Officer of Union Gas Limited, was appointed to the Board following Mr. Stearns' resignation.

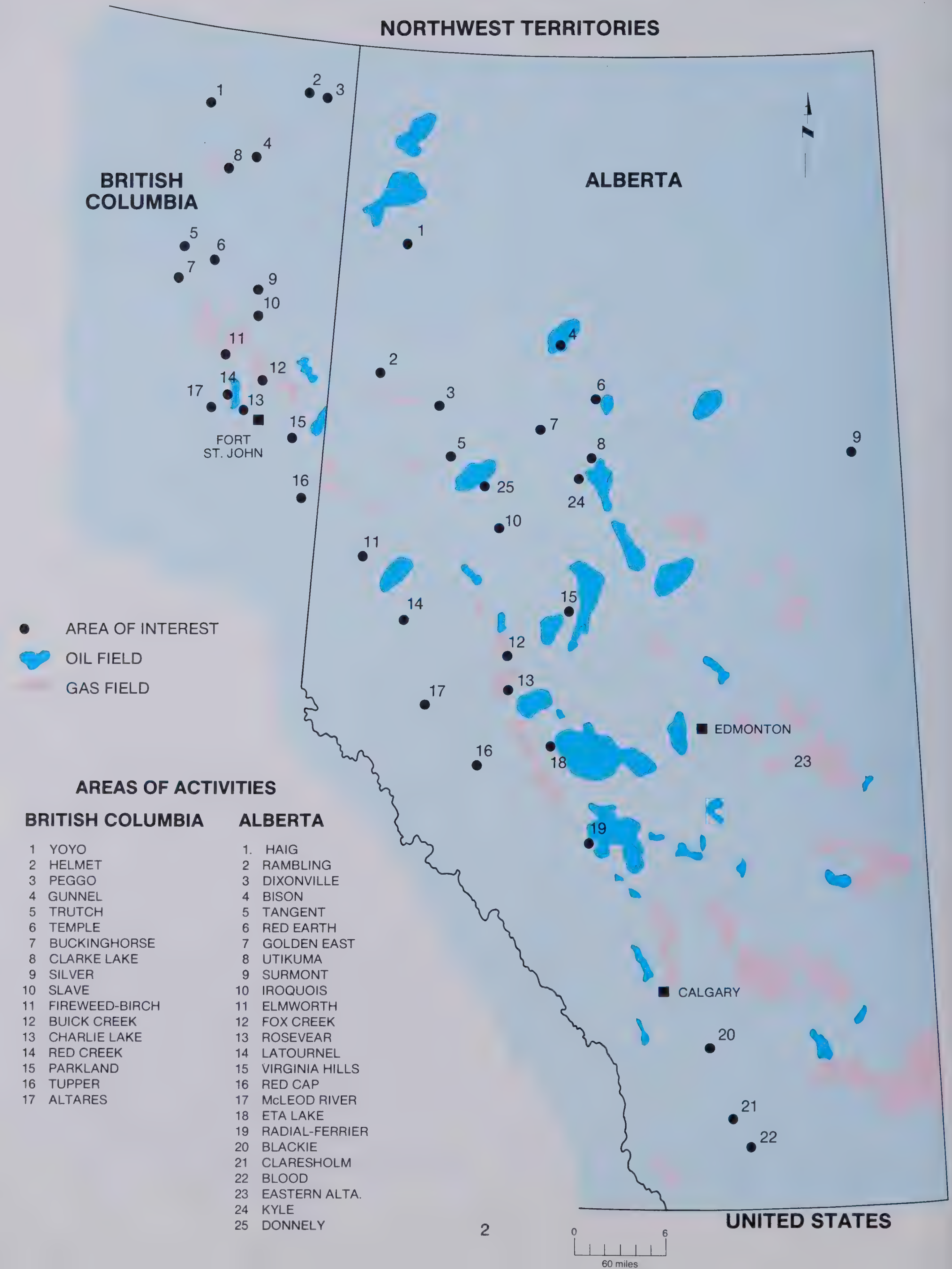
I would like to take this opportunity of extending the thanks of the Board to our shareholders for their continued faith and support. The Board also extends its sincere appreciation to the Company's staff in recognition of their continued diligence, devotion and capability.

On Behalf of the Board of Directors

W. S. McGregor

W.S. McGregor
President & Managing Director

March 16, 1981



AREAS OF ACTIVITIES

BRITISH COLUMBIA		ALBERTA	
1	YOYO	1.	HAIG
2	HELMET	2	RAMBLING
3	PEGGO	3	DIXONVILLE
4	GUNNEL	4	BISON
5	TRUTCH	5	TANGENT
6	TEMPLE	6	RED EARTH
7	BUCKINGHORSE	7	GOLDEN EAST
8	CLARKE LAKE	8	UTIKUMA
9	SILVER	9	SURMONT
10	SLAVE	10	IROQUOIS
11	FIREWEED-BIRCH	11	ELMWORTH
12	BUICK CREEK	12	FOX CREEK
13	CHARLIE LAKE	13	ROSEVEAR
14	RED CREEK	14	LATOURNEL
15	PARKLAND	15	VIRGINIA HILLS
16	TUPPER	16	RED CAP
17	ALTARES	17	McLEOD RIVER
		18	ETA LAKE
		19	RADIAL-FERRIER
		20	BLACKIE
		21	CLARESHOLM
		22	BLOOD
		23	EASTERN ALTA.
		24	KYLE
		25	DONNELY

PETROLEUM EXPLORATION

CANADA

As at December 31, 1980, Numac had participated in the drilling of 88 exploratory and development wells of which 45 were cased for gas, 17 cased for oil and 26 were abandoned, for an overall success ratio of 70.45%. Exploration and development activities were confined entirely to the Provinces of Alberta and British Columbia. Following is a description of the Company's principal areas of interest and activities conducted in each of those provinces.

ALBERTA

In addition to developing existing discoveries Numac has continued to generate interesting exploration plays, many of which will be evaluated in 1981. The Company will continue to concentrate its exploration effort in exploring for new oil reserves.

NORTHWESTERN ALBERTA

Numac's primary oil production areas are RED EARTH and UTIKUMA where production is primarily from the Granite Wash sand. Numac continued to develop these fields in 1980 and further drilling for new Granite Wash production will be carried out at both Red Earth and Utikuma in 1981. In addition, a secondary recovery project for production from the Slave Point formation is underway at Red Earth which is further commented upon later in this report.

Numac participated in a significant new oil discovery in the KYLE area which is located on the south side of Utikuma Lake. The Company now has a 33⅓% interest in 12,800 acres in this play on which considerable seismic has been run and which should result in several new follow-up wells being drilled in 1981.

The TANGENT area, where Numac now has 3 gas wells, has proven to have considerable gas reserves. The Company has interests ranging from 50% to 100% in 8,000 acres in this area. Pursuant to a gas purchase contract production is expected in late 1981.

The ELMWORTH trend has been the most significant gas play to develop in Alberta in a number of years. Numac has varying interests in over 305,000 acres in this play, the acreage being concentrated in what the Company refers to as the Wapiti, Hythe, Gold Creek and Wembley areas.

In the WAPITI area, Numac holds a 20% net carried interest and working interests ranging from 2.51% to 5.99% in 25,439 acres. Six gas wells have been completed in this play, 4 on the 20% carried interest acreage and 2 on the working interest lands. At least 2 more wells will be drilled on the working interest lands in 1981.

Numac has an 8% net carried interest in 42,240 acres in the HYTHE area where 5 wells have been cased, one oil well drilled in 1978, 2 wells which were drilled in 1980 and are presumed to be oil wells and 2 wells which were cased for gas.

The Company has interests ranging from 25% to 33% in 27,034 acres in the WEMBLEY area. The Company has participated in one gas well and one oil well on the 25% interest acreage and in 1980 drilled an oil well on its 33% interest acreage.

Numac has interests ranging from 15% to 25% in its GOLD CREEK acreage. To date the Company has participated in 12 wells on this acreage, 10 wells which have been cased for gas and 2 wells which have been cased for oil and gas. In 1980 Numac participated in 7 wells on this acreage, all of which were cased for gas. Several of these wells are still under confidential status and, consequently, very little information can be revealed until land positions in the area are solidified. Numac has, however, purchased a 15% interest in a 8,640-acre licence that offsets a new discovery drilled at 10-34-69-5 W6M. Numac and partners paid $9.9 million for this licence. The Company also acquired a 15% interest in an 11,200-acre licence located in Twps. 68 and 69, Rge. 4 W6M which licence was purchased for just over $2 million. The licence offsets a well that was drilled and cased in 10-5-69-4 W6M.

WESTERN ALBERTA

The Company participated in a new gas discovery in the LATORNELL area approximately 8 miles southwest of the Simonette oilfield. Numac has interests ranging from 6.67% to 8.33% in 31,113 acres in this play.

Two gas wells were drilled on the Company's FOX CREEK acreage. Numac now has interests from 30.55% to 50% in 6 gas wells and 3 oil wells in this area with 4 of the Company's gas wells tied into a gas plant operated by Numac. Further drilling will be carried out in this area in 1981 to prove up reserves for production as an ongoing gas contract exists on these lands.

Numac participated for a 15% interest in the purchase of a 19,680-acre licence in the McLEOD RIVER area for which a total bonus consideration of $9.1 million was paid. Canadian Superior is operator for the group involved in this play. This acreage is prospective in several horizons down to and including the Devonian Reefs. Considerable seismic has been run on this acreage and Numac and its partners expect to commence drilling on these lands in 1981. Several wells are presently being drilled by other companies immediately

adjacent to this acreage.

The Company purchased a 33⅓% interest in 7,360 acres in the ETA LAKE area which lies on the West Pembina Nisku field trend. The area is prospective in several horizons and a deep Ireton test will be drilled on these lands in 1981. Numac also participated in a farmin on other lands where a gas contract is available and which lands are to the north of the above mentioned acreage. One gas well capable of production from the Basal Gething sands was drilled in 1980 and a second well will be drilled on this farmin acreage in early 1981. Gas production is expected to go on stream by November of 1981.

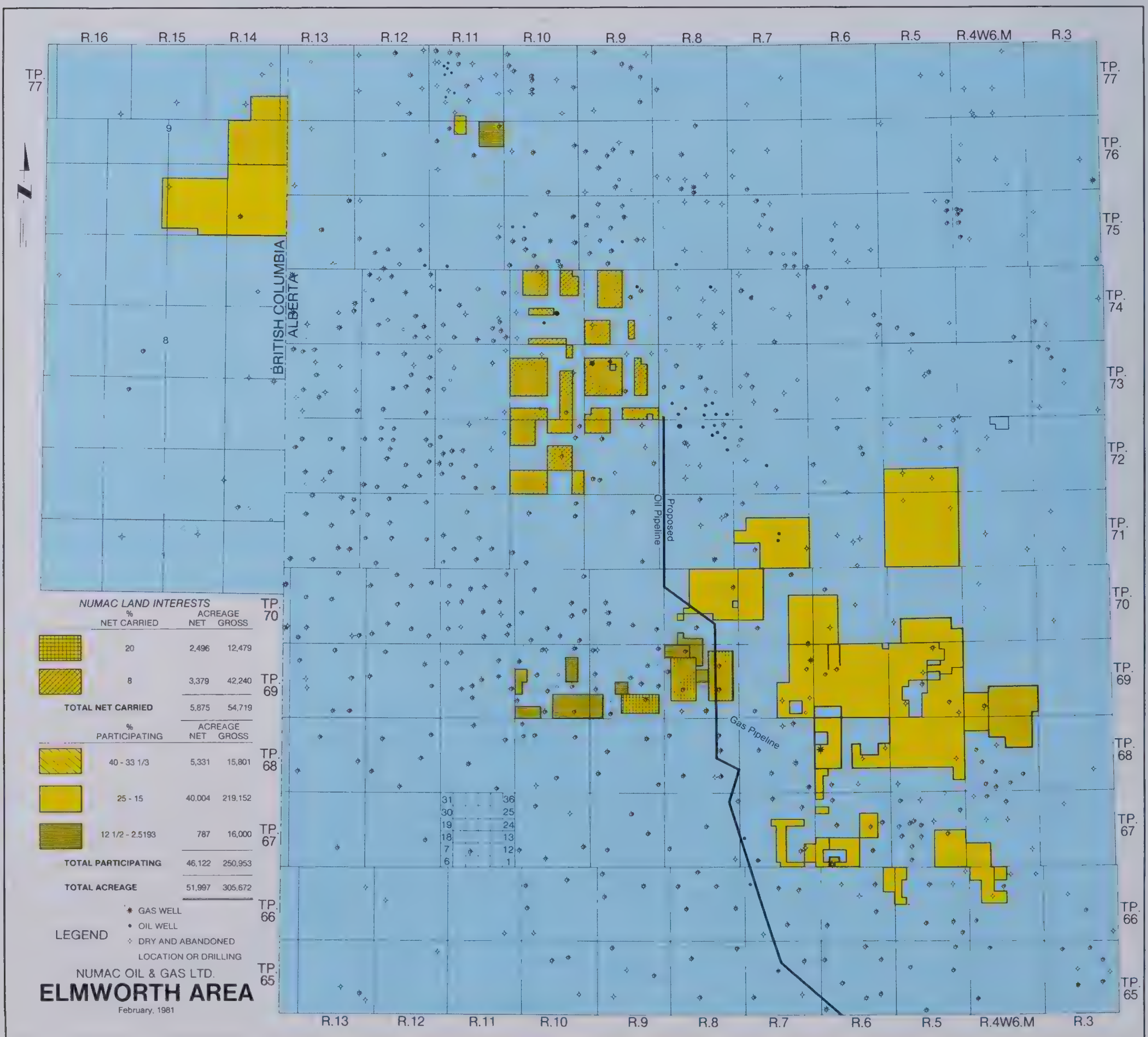
The RED CAP and THISTLE areas in the central foothills saw no further drilling in 1980, however, it is anticipated that both areas will be drilled in 1981.

A follow-up well will be drilled to the FERRIER-SUNCHILD discovery where Numac has interests from 15% to 50% in over 13,400 acres.

Approximately 9 miles south is the RADIAL area where a gas plant has been built and Numac's 3 gas wells are anticipated to go on stream in April, 1981 following completion of a tie-in to the main sales line.

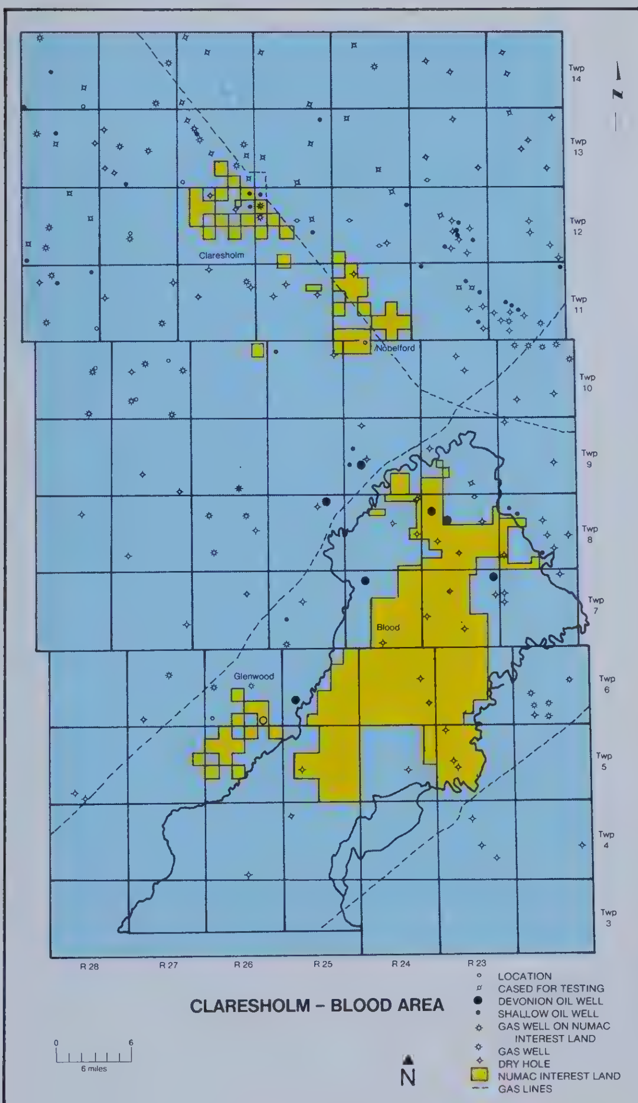
EASTERN ALBERTA

Since 1978 Numac has participated in a very successful joint venture program in a 1 million-acre area in Eastern Alberta which is subject to an existing gas purchase contract. Numac and its partners have maintained an aggressive drilling and land accumulation program in this area where Numac has varying interests in over 90,000 acres.



During 1980 the Company participated in drilling 27 wells in this area of which 19 were cased for gas and one was cased for oil. The main areas of drilling and development activity have been in the JOARCAM/BEAVERHILL LAKE, KILLIAM/HARDISTY, HOLMBERG and ROYAL areas.

In total, the Company has over 45 successful gas wells completed in this gas contract area and it is anticipated that gas sales will commence in early 1981.



SOUTHERN ALBERTA

A significant increase in production from Numac's BLACKIE area is expected in early 1981 as the operator is now building a gas processing plant to conserve the associated gas that will be produced with the oil from the Blackie field.

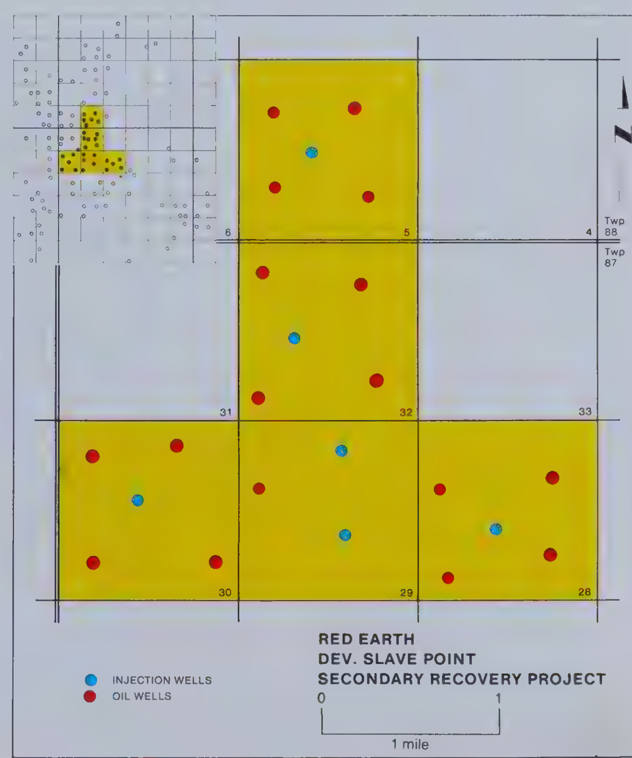
The Company now has interests in over 156,000 acres of land in the Claresholm-Glenwood and Blood areas of southern Alberta. The BLOOD area has been somewhat disappointing in that the last 3 wells drilled on the Company's acreage were not successful in the Devonian Wabamun zone that was productive in the initial discovery well at 10-30-8-23 W4M. The Company and partners have purchased considerable new seismic over the area to hopefully unravel the problem with interpreting the geology of the Wabamun and to outline other prospects similar to the initial oil discovery. It is felt that geologically the area is still very prospective and considerable drilling will be carried out in the future.

A Devonian test will be drilled at the GLENWOOD area where Numac and its partner have farmed out. Industry has reportedly found some important discoveries in several different formations in this general area.

Numac recently purchased a licence in the southeast corner of Alberta in an oil-prone area referred to as MANYBERRIES. The Company has a 50% interest in 5,600 acres in this play.

RED EARTH SECONDARY RECOVERY PROJECT

The Red Earth field, along with the nearby Utikuma field, continues to provide the bulk of the Company's oil production, principally from the Granite Wash sands. In the drilling of the Granite Wash wells in Red Earth over the past years, it has been recognized that the Slave Point formation, 500 feet above the Granite Wash sands, held significant oil reserves and in fact several wells were completed in this zone. Numac carried out a geological and engineering study of a five-section block in Red Earth and determined that it was economically attractive to carry out a development program. A



new concept (for the Slave Point) for completions was developed and has been successful during the 1980-81 winter program. In addition, the studies concluded that secondary recovery by waterflood should start very early in the production life. The development program for this five-section block will be completed during March, 1981 by which time 20 wells will have been drilled including 6 water injection wells. Water injection will commence prior to July 1, 1981 and production from this program will start in March and will add significantly to Numac's oil production during 1981 and subsequent years. Numac's interest in this program is 78% in four sections and 37½% in one section.

BRITISH COLUMBIA

Northeast British Columbia remains one of Numac's important areas of exploration and where, over the past few years, the Company has participated in several significant gas discoveries. During 1980 Numac participated in 18 wells in British Columbia, 11 of which were completed as gas wells and one of which was completed as an oil well.

Gas is now being produced from the HELMET, SILVER, FIREWEED-BIRCH and BUICK CREEK fields and oil is being produced at INGA, BIRCH, BUICK CREEK and SQUIRREL.

Significant gas discoveries that are in various stages of drilling and development include GUNNEL, TEMPLE, TRUTCH, BUCKINGHORSE, ALTARES, RED CREEK, PARKLAND and TUPPER. Further drilling will be undertaken in these areas as markets for gas become available.

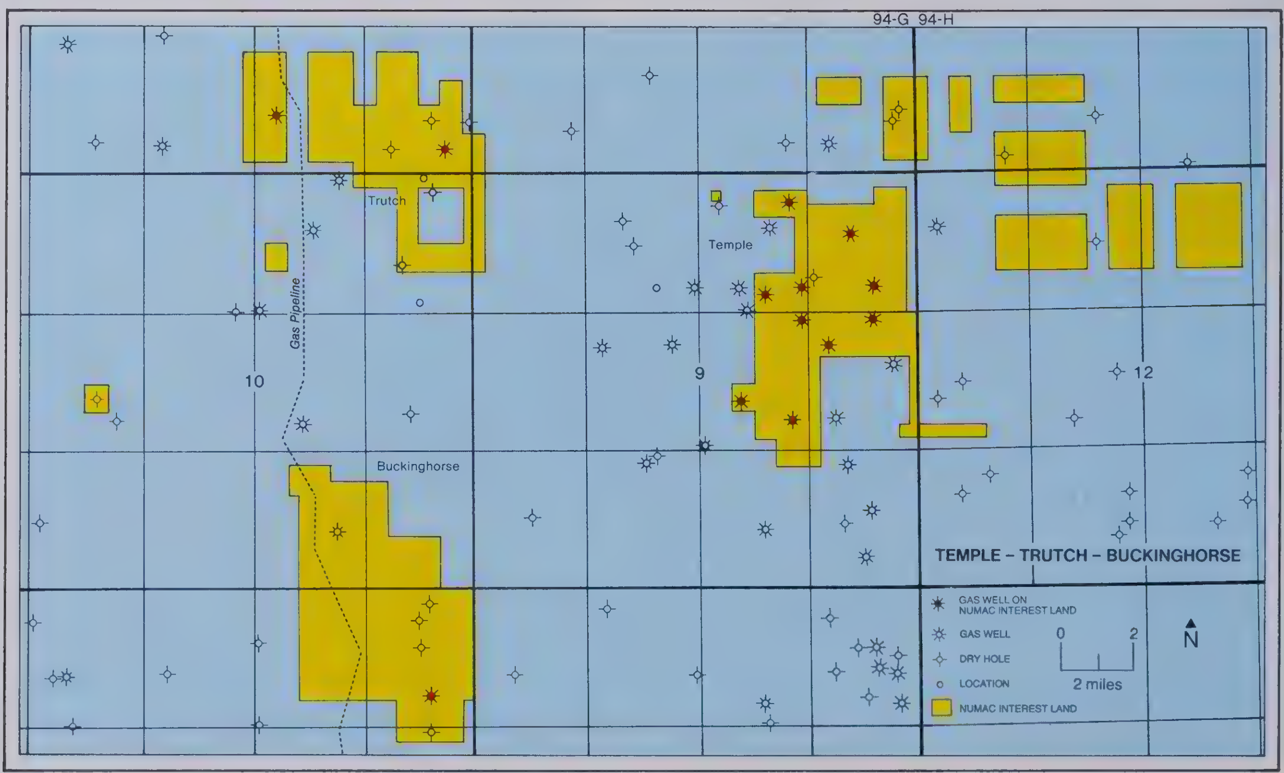
Several gas wells were drilled at KIMEA, PEGGO & GUNNEL in the region north and east of FORT NELSON that will eventually be tied into the Fort Nelson gas gathering system. It is anticipated that further drilling at Gunnel will be carried out in 1981.

The lands and acreage that encompass Numac's Temple, Trutch and Buckinghorse areas are developing into one of British Columbia's more significant gas areas as it now appears that the main producing horizon, the Triassic Halfway sand, could be continuous and productive throughout most of the area. The advent of new completion methods has been the main reason for this play's development.

In 1978 Numac participated in the drilling and completion of a gas discovery at TEMPLE which initiated this extensive play and since then the Company has cased 10 wells for gas. Further development drilling will follow as gas markets develop. The Company holds a 33⅓% interest in 44,985 acres in this play. Several wells have also been drilled by other companies in this area and, consequently, land prices have escalated greatly since 1978.

To the west of Temple is Numac's TRUTCH area. The Company has to date participated in the drilling of 3 wells on this acreage, 2 of which were cased for gas. The Company has purchased adjacent lands and now has interests varying from 19% to 33.34% in 32,407 acres. Further evaluation of this acreage will be undertaken in 1981.

To the south of Trutch lies the BUCKINGHORSE area where Numac has interests varying



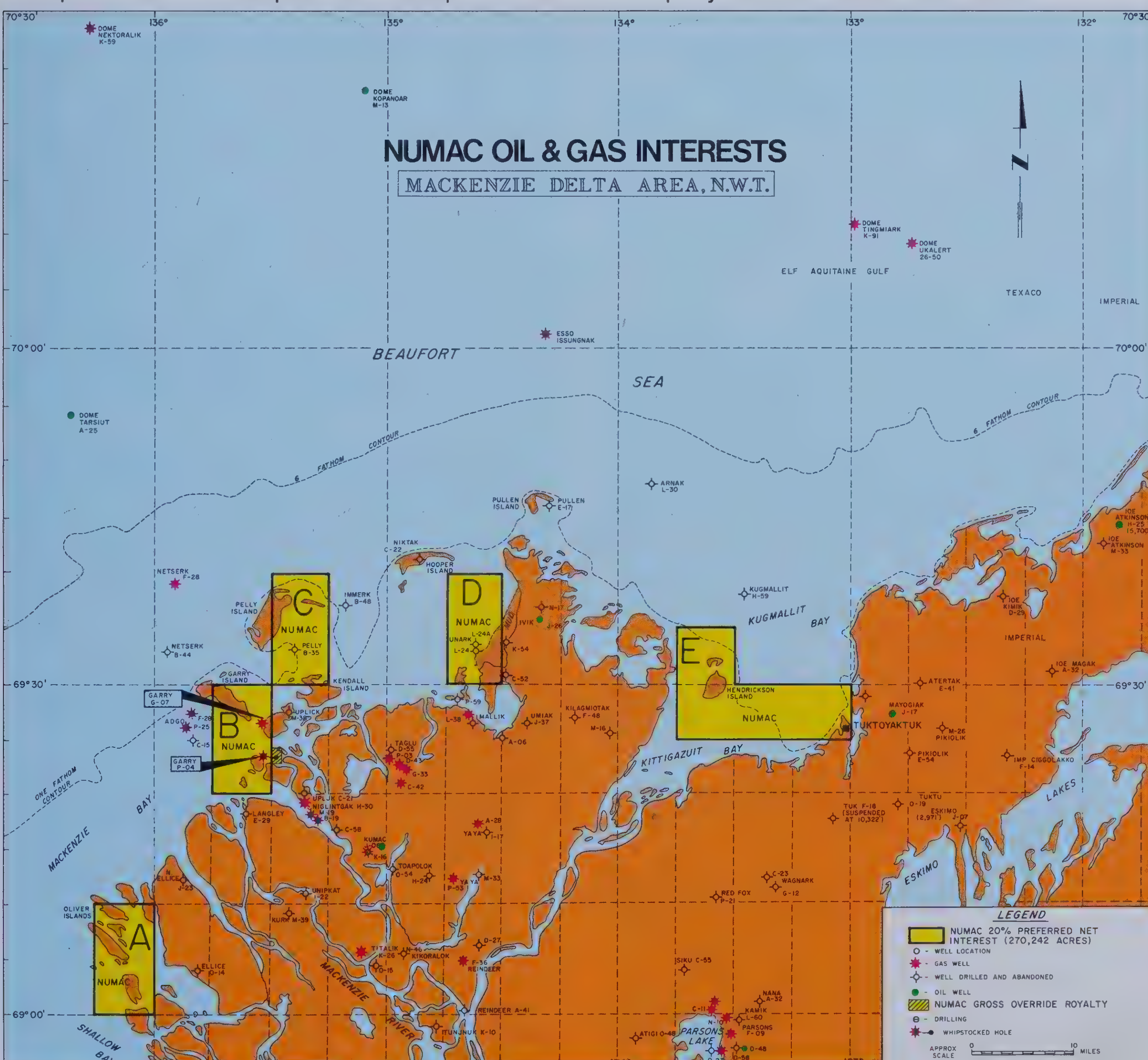
from 10% to 40% in 41,097 acres. A significant gas discovery was made on the south side of this large acreage block in 1979 and a further exploratory well has been completed as a gas well during 1980. One additional exploratory well is anticipated to be drilled in the coming drilling season.

The Company's main gas production in British Columbia is from the SILVER field where the Company's share of production was 1,069.9 mmcf for the year 1980.

In July 1980 Gulf Canada Resources Inc. announced the completion of an exploratory well in the Mississippian Kiskatinaw formation on Numac's TUPPER acreage which lies to the northwest of the Elmworth trend. Numac has a 15% interest in a 32,000-acre block on which the discovery well was drilled and, in addition, has a 33.33% working interest in an adjacent 14,800-acre permit. Gulf is the operator with respect to all of these lands. Production testing of the discovery well flowed gas at the rate of 11,120 mcf per day with condensate production of 191 barrels per day. The Company regards this discovery as significant and expects that development of this play will be vigorously pursued.

NORTHWEST TERRITORIES, MACKENZIE DELTA

Numac's Mackenzie Delta permits consist of 270,242 acres that were acquired in 1964. Under a farmout arrangement with Suncor Inc., Numac has a preferred net carried interest (a share of income from first sales of oil and gas), the extent of which is initially determined at the time of first production. After recovery of drilling and development costs, which are free of interest or other charges, the Company will have a carried interest of 20%.



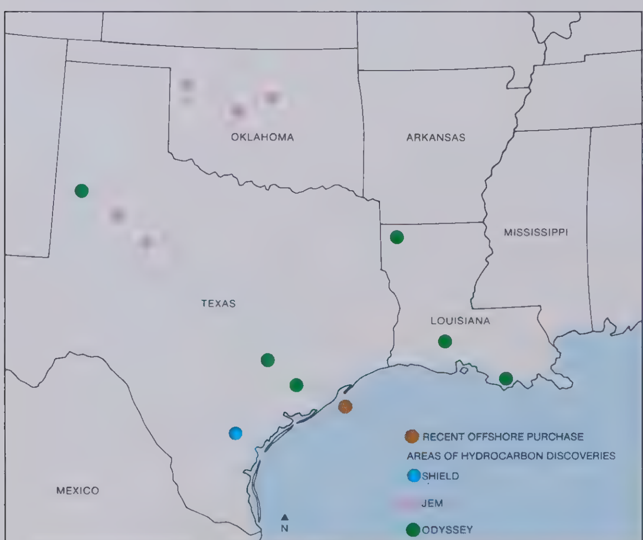
Suncor has to date drilled 5 exploratory wells on these permits, of which 2 in the Garry Island field were completed as significant oil and gas discoveries and the remaining 3 encountered non-commercial quantities of gas. Of the 2 successful wells, Garry P-04 tested gas flows of 31 million cubic feet per day and an oil flow of 7,920 barrels per day and Garry G-07 tested cumulative gas flows of 21 million cubic feet per day from 2 horizons.

On December 9, 1980 the federal government introduced Bill C-48, the Canada Oil and Gas Act, the purpose of which is to regulate oil and gas interests in Federal lands ("Canada lands"). In the opinion of management this proposed legislation contains many negative provisions including the right of Crown corporations to back in for a 25% interest in virtually all Canada lands without compensation. Furthermore, the Bill provides the Minister of Energy, Mines and Resources with broad discretionary powers thereby creating an atmosphere of uncertainty with respect to operations conducted on Canada lands. The Bill is, however, under review by a Standing Committee of the House of Commons and many companies, including Numac, have made submissions with respect thereto. In view of the many negative implications of the Act management expects that the proposed legislation will be amended to accommodate several of the concerns of industry.

UNITED STATES

In mid-1980 Numac commenced oil and gas exploration activities in the United States through its wholly-owned subsidiary, Numac Oil & Gas Inc. ("Numac Inc."). As at December 31, 1980 the Company had participated in the drilling of 50 wells in the United States of which 17 have been cased for oil, 9 cased for gas and 24 were dry and abandoned.

Numac Inc. is participating with Denver-based JEM Petroleum Corporation ("JEM") to



conduct an exploration program in the principal onshore oil and gas regions of the United States. The program is conducted primarily from JEM's Denver offices but also from associated offices established by JEM in Midland, Houston, Oklahoma City and New Orleans. This program will be carried on for a minimum of four years and pursuant to which Numac Inc. will spend a minimum of $12 million for exploration. In 1980 Numac Inc. participated with JEM in the drilling of 19 wells. The program was concentrated mainly in Oklahoma but was also conducted in Texas, Montana and California.

In association with JEM, Numac Inc. has, since December 31, 1980, become a participant in an exploration program in the Michigan Basin involving approximately 130,000 gross acres.

Numac Inc. is also participating in a joint venture exploration program with Houston-based Odyssey Oil & Gas Inc. ("Odyssey"). To December 31, 1980 Numac Inc. had participated with Odyssey in the drilling of 28 wells. This program was conducted primarily in the States of Texas, Louisiana and Alabama.

The Company's U.S. subsidiary is also participating with Shield Resources Inc. ("Shield Inc."), a wholly-owned subsidiary of Precambrian Shield Resources Limited, in a joint venture oil and gas exploration program which is being conducted from offices in Houston, Texas. A complete staff has been established for the Houston office and it is expected that the joint venture will participate in the drilling of approximately 20 exploration wells during 1981. Numac Inc.'s expenditures pursuant to this joint venture will approximate $4 million per year.

At the Federal offshore Texas sale of November 18, 1980, Numac Inc. purchased a 5% interest in two 5,780-acre blocks, numbered 301 and 302, in the Galveston area of offshore Texas. The aggregate consideration paid by Numac Inc. and its associates for these blocks was $17.6 million. Getty Oil Company is operator of the property and is in the process of further evaluating the blocks with a view to drilling thereon as soon as practical, possibly in 1981.

Numac Inc.'s interests in many of the prospects drilled during 1980 were relatively nominal due to the fact that, in many cases, Numac Inc.'s participation was in farmouts from others. This was to be expected as part of the process of embarking upon a new exploration program in a new area. However, it is anticipated that in 1981 the interests of Numac Inc. in prospects will be substantially increased due to the fact that more prospects will be generated in-house by Numac Inc. and associates in the United States.

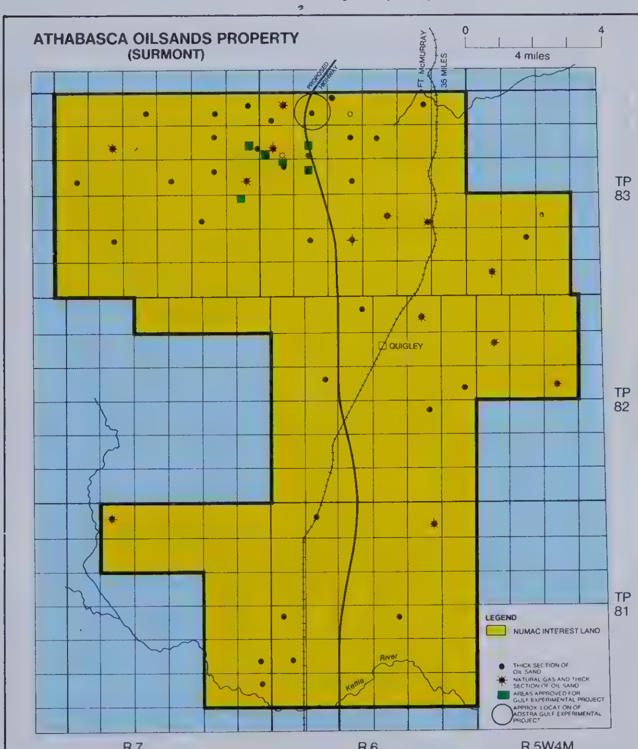
Plays in which hydrocarbon discoveries have been made are noted on the accompanying map. Most of these discoveries are under evaluation and it is anticipated that many will involve development drilling in 1981.

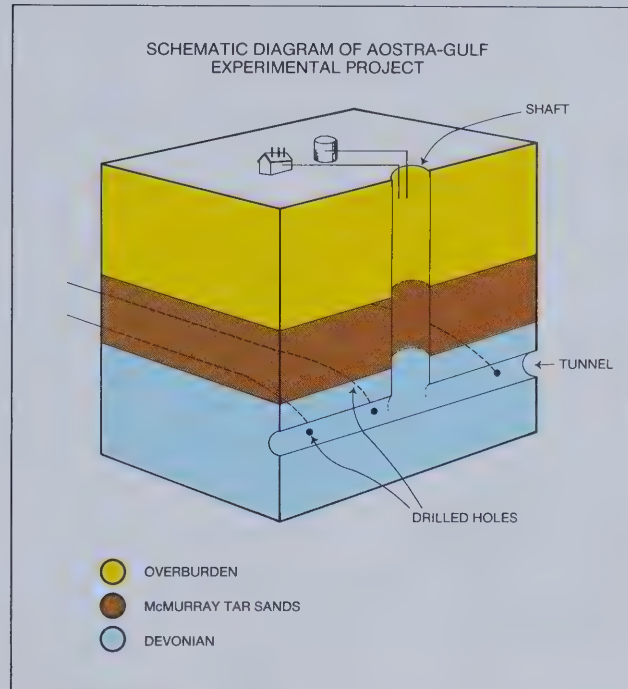
OIL SANDS

At the end of 1977 Numac signed a farmout agreement with Gulf Canada Resources Inc. ("Gulf") for the exploration and development of its 119,000-acre **Surmont** property. Numac retains a 5% carried interest which is convertible to a 12½% working interest after a feasibility study on a commercial-sized plant has been carried out. The property contains upwards of 20 billion barrels of bitumen in place with the richer areas having 250 million barrels per 640 acres.

Activity by Gulf on the property is progressing as planned. In conjunction with the Alberta Oil Sands Technology and Research Authority, Gulf is in the final phase of geological and geotechnical studies required to determine the site of the pilot project which was jointly announced late in 1979. This project will be designed to test the feasibility of developing oil sands which are located at a depth greater than those which could be economically developed by open pit mining. The concept is to drive a vertical shaft from surface through the oil sands and into the underlying Devonian limestone and thence tunnelling horizontally at that point. Drill holes up into the sands from the tunnels will gain access to the oil reserves and into which steam will be injected. The main advantages are that larger volumes of the reservoir can be contacted by a single drill hole (drilled at different angles) and that much better heat transfer will result. Gulf is actively engaged in engineering design to prepare bids to carry out this project which is estimated will cost in excess of $90 million.

In addition to this major project, Gulf is continuing to carry out confidential experimental schemes at several other locations on the property for the purpose of gaining technical knowledge of such things as permeabilities, injectivities and recoveries using more conventional means of operation such as those employed at Cold Lake.





MINING

URANIUM

Numac, together with Esso Resources Canada Limited ("Esso"), as operator, Bow Valley Industries Ltd. and certain private investors ("Bow Valley"), has an interest in the MIDWEST LAKE, Saskatchewan, uranium deposit which was discovered in early 1978. The discovery, largely under a shallow lake, is located approximately 185 miles southeast of Uranium City, Saskatchewan, and 15 miles west of the Rabbit Lake uranium mine. Numac has a 25% working interest in the property but has a preferred position in that the Company has to supply only 10% of all exploration and development costs through to production start-up. The remaining 15% is carried free of interest charges and is recoverable out of 15% of the proceeds of first production from the property.

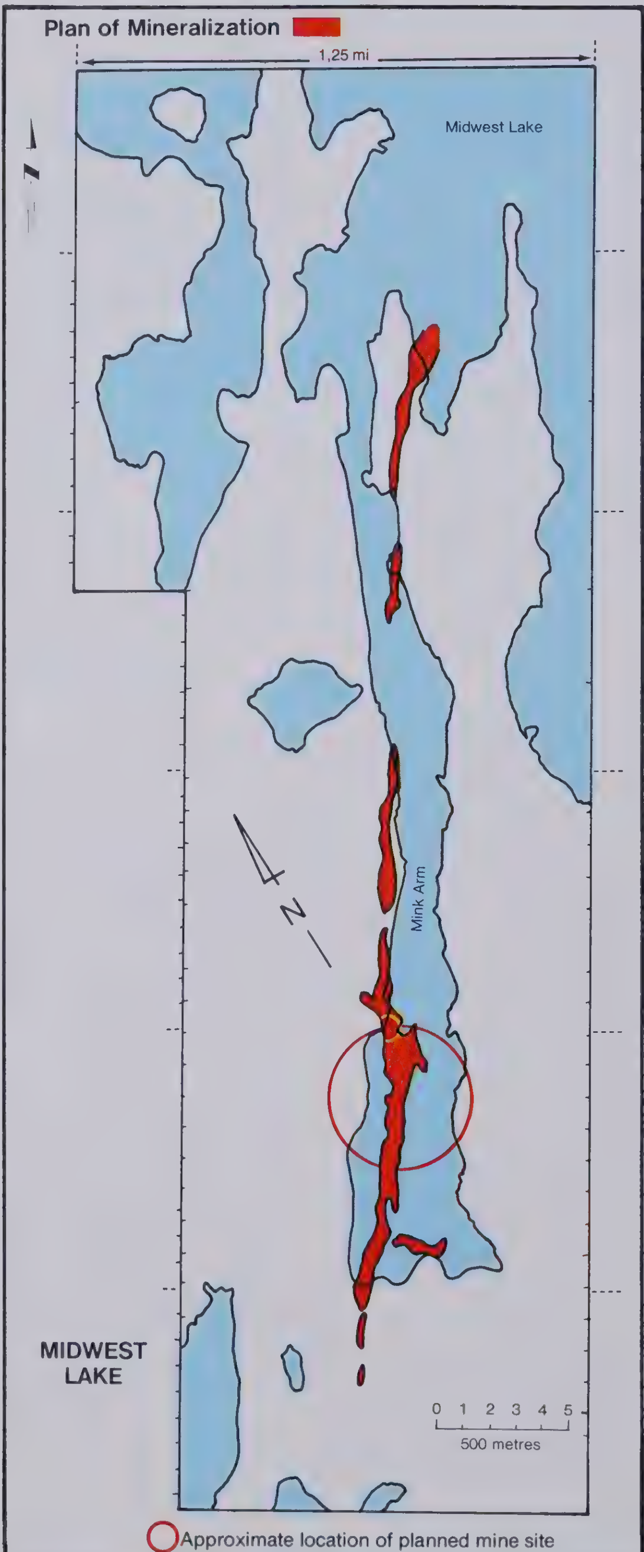
At December 31, 1980 the operator had completed the drilling of 488 core holes and was planning to conduct a further drilling program to further delineate the mineralized zone. Esso has informed Numac's management that sufficient uranium has been defined to justify a commercial mine.

Preliminary work has begun on designing the mining plan and milling process together with the required studies to ensure that these are consis-

tent with current environmental regulations and socio-economic requirements. The cost of the mine and the mill is estimated by the operator to be approximately $400 million and the operator projects that production will commence in the mid-1980s at a planned rate of approximately 4,400,000 pounds of uranium oxide per year.

Numac expended approximately $700,000 on this uranium project in 1980 and anticipates that its 10% share of total expenditures will approximate $1,320,000 in 1981.

The grade of this rich uranium orebody is in excess of 20 pounds per ton whereas the average grade of uranium mines worldwide is 3 pounds per ton.



OTHER MINERAL EXPLORATION

Numac holds a 17.37% participating interest in 9,796 acres of mineral leases in the CARSWELL area of Northern Saskatchewan, near the Cluff Lake uranium mine which was placed on production in 1980 by Amok Ltd. ("Amok"), as operator. Amok is also involved with Numac, Esso, Saskatchewan Mining Development Corporation and Bow Valley in the Carswell uranium exploration project and, as operator, expended in excess of $1,188,000 during 1980 on drilling and other exploration. Total expenditures for 1981 are budgeted at $1,600,000.

Numac has a 25% participating interest in a gold prospect at CLAN LAKE, Northwest Territories, consisting of 13,000 acres. Continued assessment work is expected to be conducted on this property in 1981.

Numac and its associates have relinquished their interests in the mineral permits near CREE LAKE in Northern Saskatchewan after conducting some assessment work on the property which proved inconclusive.

LAND HOLDINGS

As of December 31, 1980 Numac held varied interests in Canadian petroleum, natural gas and other mineral rights as set out below:

	Gross Acres	Net Acres
Oil and Gas		
Alberta	1,379,080	306,390
British Columbia	546,965	172,931
Other Areas	321,725	54,481
	2,247,770	533,802
Other Minerals	34,561	7,436
	2,282,331	541,238

The Company's purchases of petroleum and natural gas rights during the year were confined to the Provinces of Alberta and British Columbia where it participated in the acquisition of varied interests in 229,813 acres for a total net outlay by the Company of $10,975,960. Due to gas marketing, pricing and regulatory uncertainties in Canada, the acquisitions were generally restricted to the vicinity of prior Company exploration and development activities such as the East Alberta gas contract area, Gold Creek (Elmworth), Red Earth, Latornell, Kyle, McLeod River and Fox Creek areas of Alberta and the Trutch/Temple area of British Columbia. Emphasis was placed on acquisition of oil-prone properties.

Acreage figures for the United States have not been included in the above summary because most of the programs are in the earning stages. It is anticipated that accurate figures will be reported in Interim Reports to Shareholders to be released during the ensuing year.

PROVED AND PROBABLE RESERVES

	Crude Oil (barrels)		
	Proved	Probable	Total
1980 Production	567,000	—	567,000
1980 Additions	525,225	724,564	1,249,789
Reserves at December 31, 1980	7,928,197	3,724,756	11,652,953

	Natural Gas (mcf)		
	Proved	Probable	Total
1980 Production	2,433,000	—	2,433,000
1980 Additions	28,972,490	7,575,034	36,547,524
Reserves at December 31, 1980	125,694,058	43,481,520	169,175,578

Proven reserves are those quantities of crude oil and natural gas which, upon analysis of all geological and engineering data appear, within reasonable certainty, to be recoverable from known reservoirs under economic and operating conditions then existing. These reserves are limited to those expected to be recovered at commercial rates, under current operating conditions and under existing regulatory practices. Probable reserves, in the case of oil, are considered to be those reserves, commercially recoverable as the result of the beneficial effects which may be derived from enhanced recovery systems or more favorable performance of the primary recovery mechanism, whereas, in the case of gas, probable reserves are based on potentially productive areas where the reservoir is under-developed but the area has been delineated by successful drilling.

The Company's Canadian reserves are those based on a study carried out by McDaniel Consultants (1965) Ltd. as of January 1, 1981.

Operations in the United States did not start until mid-1980 and, although successful in several areas, an evaluation of reserves discovered during 1980 cannot be completed at this time due to the fact that completion and testing are continuing in all but a few wells.

OTHER COMPANY ACTIVITIES

Oilfield Construction

The oilfield construction division of the Company is engaged, primarily in the Province of Alberta, in oilfield-related activities including road building, lease preparation and drillsite restoration. The division is also engaged in expediting and the building of drilling islands in the Mackenzie Delta, Northwest Territories.

This division has an enviable thirty-year history of success in this type of work and has consistently contributed to Company profits.

Real Estate

Numac owns 60% of Nu-Alta Developments Ltd., which company developed and owns the 14-storey, interconnected office building named "Petroleum Plaza" in Edmonton. The complex is fully leased and houses the Company's offices.

During the year Numac disposed of its undeveloped real estate holdings for $2,506,000 resulting in an extraordinary net gain of $1,755,000. The Company has no plans to pursue further real estate activities at this time.

AUDITORS' REPORT

To the Shareholders of
Numac Oil & Gas Ltd.:

We have examined the consolidated balance sheets of Numac Oil & Gas Ltd. as at December 31, 1980 and 1979 and the consolidated statements of earnings and of changes in financial position for each of the three years in the period ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1980, in accordance with Canadian generally accepted accounting principles applied, except for the change in capitalization of interest as explained under Significant Accounting Policies, on a consistent basis.

Deloitte Haskins & Sells
Chartered Accountants

EDMONTON, Alberta
March 11, 1981.

Numac Oil & Gas Ltd.

CONSOLIDATED STATEMENT OF EARNINGS

(Canadian Dollars)

	YEAR ENDED DECEMBER 31 *1980*	*1979*	*1978*
REVENUE			
Operating revenue	**$14,802,324**	$13,887,259	$11,192,708
Investment income	**635,520**	855,020	1,151,236
Gain on sale of securities	**100,510**	696,176	528,605
Supervision and sundry	**352,616**	116,087	145,015
Mackenzie Delta	**200,000**	200,000	200,000
Athabasca Oil Sands (Note 2)	**4,081,000**	4,081,000	4,081,000
Gain on sale of fixed assets	**44,218**	170,418	179,213
	20,216,188	20,005,960	17,477,777
EXPENSE			
Operating	**3,810,955**	4,082,525	3,324,157
General and administrative	**901,967**	612,886	597,153
Interest on long-term debt (net of $987,351 capitalized)	**2,318,892**	809,819	336,848
Other interest	**550,300**	2,066,067	1,010,776
Depletion and depreciation	**3,021,040**	2,640,481	1,835,294
Provision for impairment — U.S. operations (Note 14)	**915,000**	—	—
Foreign exchange loss	**35,900**	—	—
	11,554,054	10,211,778	7,104,228
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**8,662,134**	9,794,182	10,373,549
INCOME TAXES			
Current (Provincial royalty tax credit)	**(934,793)**	(897,173)	(816,452)
Deferred (Note 10)	**4,592,124**	4,613,108	4,579,932
	3,657,331	3,715,935	3,763,480
EARNINGS BEFORE EXTRAORDINARY ITEMS	**5,004,803**	6,078,247	6,610,069
GAIN ON SALE OF LAND (Net of tax $581,129; 1979 $36,621; 1978 $9,766)	**1,900,652**	121,523	33,886
NET EARNINGS	**$ 6,905,455**	$ 6,199,770	$ 6,643,955
PER SHARE*			
Earnings before extraordinary items	**$ 0.55**	$ 0.69	$ 0.75
Net earnings	**$ 0.75**	$ 0.70	$ 0.75

*Based on weighted average of shares outstanding.

Numac Oil & Gas Ltd.

CONSOLIDATED BALANCE SHEET (Canadian Dollars)

ASSETS

	DECEMBER 31 1980	1979
CURRENT ASSETS		
Marketable securities, at cost (Market value $13,240,559; 1979, $8,604,725)	**$ 2,442,560**	$ 3,502,904
Trade receivables	**5,481,671**	3,031,968
Long-term receivables due within one year (Note 2)	**5,421,540**	4,779,860
Provincial royalty tax credit	**1,831,966**	897,173
Inventories, at lower of cost and net realizable value	**286,796**	66,326
Prepaid expenses and deposits	**118,408**	193,767
Total current assets	**15,582,941**	12,471,998
LONG-TERM RECEIVABLES (Note 2)	**4,327,683**	7,658,929
FIXED ASSETS, at cost (Note 3)		
Land and buildings	**6,244,906**	6,453,428
Oil and gas properties, full cost basis		
— Canadian - $10,400,509 excluded for depletion	**98,454,028**	72,889,785
— United States	**5,538,031**	—
— Other	**250,200**	246,583
Mining properties	**3,329,336**	1,944,393
Production and other equipment	**11,572,264**	9,032,458
	125,388,765	90,566,647
Less: Accumulated depletion and depreciation	**14,088,595**	11,157,590
	111,300,170	79,409,057
	$131,210,794	$99,539,984

APPROVED BY THE BOARD:

W. S. McGregor Director

G. T. MacIver Director

	DECEMBER 31 1980	1979
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	**$ 1,587,961**	$ 584,070
Accounts payable and accrued (Note 5)	**7,315,411**	3,870,031
Current portion of long-term debt (Note 6)	**—**	120,000
Deferred income (Note 7)	**4,557,793**	4,345,133
Total current liabilities	**13,461,165**	8,919,234
LONG-TERM DEBT (Note 6)	**23,327,558**	24,500,000
DEFERRED INCOME TAXES	**26,368,186**	21,236,360
DEFERRED INCOME (Note 7)	**346,320**	4,679,364
	63,503,229	59,334,958
CONTINGENCY (Note 8)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)		
Authorized		
40,000,000 common shares without par value (1979 - 20,000,000)		
4,000,000 preferred shares with par value of $25 each (1979 - nil)		
Issued and fully paid		
9,419,132 common shares (1979 - 8,851,132)	**$ 34,323,160**	$11,900,550
RETAINED EARNINGS		
Beginning of year	**28,304,476**	23,874,932
Earnings for the year	**6,905,455**	6,199,770
Dividends (per share - 20¢; 1979 - 20¢)	**(1,825,526)**	(1,770,226)
End of year	**33,384,405**	28,304,476
	67,707,565	40,205,026
	$131,210,794	$99,539,984

Numac Oil & Gas Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Canadian Dollars)

	YEAR ENDED DECEMBER 31		
	1980	1979	1978
SOURCES OF WORKING CAPITAL			
Operations			
Earnings before extraordinary items	**$ 5,004,803**	$ 6,078,247	$ 6,610,069
Items not affecting working capital			
Depletion and depreciation	**3,021,040**	2,640,481	1,835,294
Deferred income taxes	**4,592,124**	4,613,108	4,579,932
Provision for impairment	**915,000**	—	—
Other	**(44,218)**	(170,418)	(179,213)
Funds from operations	**13,488,749**	13,161,418	12,846,082
Issue of common shares	**22,422,610**	—	—
Term bank loan	—	20,000,000	—
Proceeds from sale of equipment	**90,479**	244,150	354,294
Proceeds from sale of land	**2,506,020**	121,300	—
Athabasca Oil Sands proceeds in excess of amount in earnings	**419,000**	419,000	419,000
Reduction of long-term receivable	**921,540**	279,860	72,600
	39,848,398	34,225,728	13,691,976
USES OF WORKING CAPITAL			
Term bank loan	**872,442**	—	—
Resource properties	**33,315,000**	23,547,129	14,431,056
Additions to plant and equipment	**2,767,836**	1,128,099	2,411,224
Dividends	**1,825,526**	1,770,226	1,327,670
Key Employee Stock Purchase Plan loans (net)	**2,093,520**	(89,292)	(63,593)
Reduction of real estate loans	**300,000**	293,040	936,264
Other	**105,062**	69,144	292,971
	41,279,386	26,718,346	19,335,592
(DECREASE) INCREASE IN WORKING CAPITAL	**(1,430,988)**	7,507,382	(5,643,616)
WORKING CAPITAL (DEFICIENCY), beginning of year	**3,552,764**	(3,954,618)	1,688,998
WORKING CAPITAL (DEFICIENCY), end of year	**$ 2,121,776**	$ 3,552,764	$(3,954,618)

Numac Oil & Gas Ltd.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles established in Canada which do not differ materially from those established in the United States except where specifically referred to in these notes. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In Management's opinion, the financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all wholly-owned subsidiaries of the Company. Nu-Alta Developments Ltd., a 60% owned incorporated joint venture, is accounted for on a proportionate consolidation basis. All significant intercompany balances and transactions have been eliminated.

(b) Oil and Gas Properties

The Company has adopted the provisions of the full cost method of accounting prescribed by the United States Securities and Exchange Commission. Under this method all exploration and development costs are accumulated in active cost centres on a country-by-country basis as follows:

1. Canada
2. United States
3. Other

The adoption of the prescribed method of full cost accounting has had no significant effect on the net earnings or retained earnings of the Company.

Costs accumulated in the Canadian cost centre are depleted using the unit-of-production method based upon estimated proved reserves. Costs accumulated in the United States cost centre represent the exploration and development costs, net of impairments, incurred during 1980 by the Company's wholly-owned subsidiary, Numac Oil & Gas Inc., incorporated during 1980. These costs will be depleted using the unit-of-production method at such time as proved reserves are established and production commences.

(c) Mining

Acquisition and exploration costs of mining properties are capitalized and will be depleted on a unit-of-production basis when production commences.

(d) Depreciation

Depreciation is provided on the straight-line method based on the estimated useful life of equipment as follows:

Production equipment at 7%.
Construction and other equipment at 10% to 20%.

Real estate buildings are depreciated on the sinking fund method at 5% over a term of 40 years.

(e) Income Taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that income taxes, otherwise payable, are deferred by claiming capital cost allowances and exploration and development costs in excess of the depletion and depreciation provisions.

(f) Foreign Currency Translation

The accounts of the foreign subsidiary companies have been translated into Canadian dollars as follows:

(1) current assets, current liabilities and long-term debt at the rate of exchange prevailing at the year end.

(2) capital assets, accumulated depletion and depreciation at historical rates.

(3) revenues and expenses at average rates during the year.

Exchange gains or losses are included in determining net earnings for the year in which recognized.

(g) Capitalization of Interest

Commencing in 1980 the Company prospectively adopted the recommendations of FASB Statement #34 and Interpretation #33 thereof, to capitalize interest on unusually significant investments in unproved oil and gas properties and mining projects on which exploration and development activities are in progress but which are not being currently amortized and from which no production revenues are currently being earned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Canadian Dollars)
December 31, 1980

NOTE 1 — INVESTMENT IN NU-ALTA DEVELOPMENTS LTD.

During 1978 the Company entered into an agreement with the minority shareholder of Nu-Alta Developments Ltd., whereby both parties agreed to certain reciprocal restrictions on the sale or disposal of their respective ownership interests in and the assets of Nu-Alta Developments Ltd. This agreement establishes joint control over the operations of Nu-Alta Developments Ltd. and prevents the unilateral control of its resources by any one of them. The Company has therefore adopted the proportionate consolidation basis to account for its 60% interest in the assets, liabilities, revenue and expenses of Nu-Alta Developments Ltd.

Summary of the Company's Share of Operations of Nu-Alta Developments Ltd.:

	1980	**1979**	**1978**
Revenue from rental operations	**$1,910,551**	$1,778,493	$1,531,908
Expenses	**$1,709,602**	$1,333,650	$1,011,073
Net earnings	**$ 127,886**	$ 211,803	$ 135,997
Retained earnings, end of year	**$ 661,609**	$ 533,723	$ 321,920
Total assets	**$6,794,399**	$6,771,194	$6,722,704
Total liabilities	**$6,132,190**	$6,236,871	$6,400,184

Nu-Alta Developments Ltd. is involved primarily in owning and leasing two office towers in Edmonton, Alberta.

The Company follows the Canadian practice with respect to accounting for corporate joint ventures, however, under the United States practice the accounts of Nu-Alta Developments Ltd. would be fully consolidated. On the basis of full consolidation, the consolidated financial statements would have reflected the following:

	1980	**1979**	**1978**
Total assets	**$136,655,393**	$104,054,114	$86,033,108
Total liabilities	**$ 67,089,354**	$ 63,466,688	$50,257,626
Total revenue	**$ 21,557,117**	$ 21,284,200	$18,516,453
Total expenses	**$ 11,778,789**	$ 11,334,658	$ 8,212,450
Minority interest	**$ 823,473**	$ 738,215	$ 597,014

Net earnings of the Company under the two methods would remain unchanged.

Effective January 1, 1981 the assets, liabilities and operations of Nu-Alta Developments Ltd. are to be assumed by a newly-formed partnership of the shareholders.

NOTE 2 — LONG-TERM RECEIVABLES

	1980	**1979**
Receivables on Athabasca Oil Sands Agreement	**$ 4,500,000**	$ 9,000,000
Receivable from sale of land	**921,540**	1,201,400
Receivable under the Key Employee Stock Purchase Plan (Note 9)	**4,191,132**	2,097,611
Other	**136,551**	139,778
	9,749,223	12,438,789
Less: Due within one year	**5,421,540**	4,779,860
	$ 4,327,683	$ 7,658,929

In 1977 an agreement was reached with respect to the Company's Athabasca Oil Sands property whereby Gulf Oil Canada Ltd. paid an initial consideration of $6,000,000 with an additional $18,000,000 in four equal annual instalments which commenced in 1978 with interest at 4.67%. Numac retains a 5% net carried interest in the property as well as the right to convert to a 12½% participating interest on each proposed oil sands plant.

In 1976 non-oil and gas land holdings were sold and the proceeds are receivable in annual instalments in varying amounts until 1981 with interest at 10%.

The gains derived from the above agreements are being taken into earnings on the instalment basis as follows:

	Oil Sands Property	Non-Oil and Gas Land Sale (net of income taxes)
1976	$ —	$154,147
1977	5,441,431	30,829
1978	4,081,000	33,886
1979	4,081,000	37,293
1980	4,081,000	143,754
1981	4,081,000	473,445
	$21,765,431	$873,354

NOTE 3 — FIXED ASSETS

(Thousands of Dollars)

	1980			1979		
	Cost	Accumulated Depletion & Depreciation	Net Book Value	Cost	Accumulated Depletion & Depreciation	Net Book Value
Land	$ 414	$ —	$ 414	$ 624	$ —	$ 624
Buildings	5,831	373	5,458	5,830	308	5,522
	6,245	373	5,872	6,454	308	6,146
Oil and gas properties						
Canadian proved	35,919	3,604	32,315	27,000	2,842	24,158
Canadian unproved (1)	62,536	6,275	56,261	45,891	4,833	41,058
United States unproved	5,538	—	5,538	—	—	—
Other unproved	250	154	96	246	131	115
	104,243	10,033	94,210	73,137	7,806	65,331
Mining properties	3,329	—	3,329	1,944	—	1,944
Production equipment	7,464	1,771	5,693	4,958	1,336	3,622
Other equipment	4,108	1,912	2,196	4,074	1,708	2,366
	11,572	3,683	7,889	9,032	3,044	5,988
	$125,389	$14,089	$111,300	$90,567	$11,158	$79,409

(1) The following significant unproved properties have been excluded for the depletion calculation:

Property	Date Expenditures First Incurred	Costs 1980	1979
Blood - acquisition	August, 1979	**$ 4,340**	$ 3,104
- exploration	August, 1979	**679**	105
McLeod River - acquisition	October, 1980	**1,188**	—
- exploration	October, 1980	**144**	—
Gold Creek, F - acquisition	September, 1980	**1,560**	—
- exploration	—	**—**	—
Conroy Creek, F,G,H - acquisition	April, 1979	**—**	1,974
- exploration	December, 1979	**—**	95
Other		**2,490**	3,009
		$10,401	$ 8,287

The above properties are presently under development and it is not possible at this time to determine the future additions to the Company's proved reserves from them or the potential future impact on the depletion rate.

Proved reserves yielded by the development on the Conroy Creek property in 1980 resulted in an increase in the current year's depletion expenses amounting to $49,000.

NOTE 4 — BANK INDEBTEDNESS

	1980	1979
Current account overdraft (net)	**$1,107,961**	$ (9,930)
Operating loans	**480,000**	594,000
	$1,587,961	$584,070

The maximum month end amount of short-term bank loans outstanding, during the year, was $8,178,000 and the average was $3,586,000. The weighted average interest rate on the bank loans during the year was 14.67% compared to 12.74% in 1979 based on month end balances and interest rates.

At December 31, 1980 the Company had consolidated short-term bank lines of credit totalling $15,500,000 with the following terms and interest rates:

	Limit	Interest Rate
Operating lines of credit —	$15,000,000	Bank prime
—	500,000	Bank prime + 1%

NOTE 5 — ACCOUNTS PAYABLE AND ACCRUED

	1980	1979
Oil and gas exploration and other trade payables	**$6,927,625**	$3,544,887
Mining exploration accruals	**137,000**	198,000
Accrued interest on bank loans	**172,477**	79,749
Accrued professional fees	**78,309**	37,195
Commission on sale of real estate	**—**	10,200
	$7,315,411	$3,870,031

NOTE 6 — LONG-TERM DEBT

	1980	1979
Term bank loan — Canadian	**$14,000,000**	$20,000,000
— U.S.	**5,127,558**	—
Real estate bank loan	**4,200,000**	4,620,000
	$23,327,558	$24,620,000
Less: Due within one year	**—**	120,000
	$23,327,558	$24,500,000

The term bank loan is at bank prime rate and represents the outstanding portion of a $25,000,000 Canadian line of credit and $5,000,000 U.S. funds line of credit on which a standby fee of ¼% is payable. As security the Company has undertaken not to pledge any of its assets without the consent of the bank. The loan is repayable in twenty equal quarterly instalments commencing January 31, 1984.

The real estate bank loan, secured by land and buildings, represents 60% of the loan of Nu-Alta Developments Ltd. Interest is 1% over the bank prime rate and the loan is repayable on Febuary 28 each year as follows:

1982	$300,000	1985	$ 360,000
1983	$360,000	1986	$2,820,000
1984	$360,000		

NOTE 7 — DEFERRED INCOME

	1980	1979
Athabasca Oil Sands Agreement	**$4,081,000**	$8,162,000
Land sale	**473,445**	617,199
Rent received in advance	**3,348**	120,379
Advance gas payments	**346,320**	124,919
	4,904,113	9,024,497
Less: Current portion	**4,557,793**	4,345,133
	$ 346,320	$4,679,364

NOTE 8 — CONTINGENCY

The Lubicon Lake Indian Band and other plaintiffs commenced an action in the Federal Court of Canada on April 25, 1980 naming as defendants the Governments of Canada and Alberta, together with 10 oil companies of which the Company is one. The plaintiffs allege that they have subsisting Indian title in a large area of land in northern Alberta; that such title includes natural resources; that their title was not extinguished by the relevant Treaty No. 8 made in 1899 between Her Majesty The Queen of Great Britain and Ireland and the Cree, Beaver, Chipewyan and other Indians inhabiting the territories defined in the Treaty; that the said Treaty was abrogated, in any event, by conduct of the Government of Canada; and, that subsequent grants of mineral interests to the Province of Alberta and the defendant oil companies are ineffective or subject to their claim. The plaintiffs claim certain declarations or alternatively compensation in the amount of $1 billion. The Company has approximately 75,000 net acres in the area affected by the claim, containing approximately 4.1% of its net proven natural gas reserves and 70.8% of its net proven conventional crude oil reserves. The Company joined with several of the other corporate defendants in opposing these claims and contesting the jurisdiction of the Federal Court.

The action has been dismissed against all of the defendants except for the Government of Canada. This decision is under Appeal but, in the opinion of the Company's Counsel, the Appeal should be unsuccessful.

The plaintiffs could advance the same or similar claims in the appropriate Court in the Province of Alberta.

NOTE 9 — SHARE CAPITAL

During the year the Company's authorized common share capital was increased from 20,000,000 to 40,000,000 shares. On June 11, 1980 the Company transacted a private placement of 500,000 common shares at $41 per share. Net proceeds amounted to $20,243,750 after the deduction of the underwriter's commission of $256,250. During the year the shareholders approved the allocation of 90,000 common shares to the Key Employee Stock Purchase Plan and the issue of 68,000 of these shares for a total consideration of $2,178,860.

Under the Key Employee Stock Purchase Plan, the Company has agreed to advance funds to a Trustee to be used by the Trustee for the purchase and immediate resale to key employees of shares of the Company's capital stock at the average sale price of the Company's shares on the day immediately preceding the transaction. At December 31, 1980, $4,191,132 was receivable by the Company ($2,097,611 at December 31, 1979) under the Plan and is included in "Long-Term Receivables" (Note 2). The shares allocated under the Plan are held as security for the loans. All employees may pay for the loans by instalment, but the loans must be paid in full in 1983 except for the loans advanced in 1980 which must be paid in full in 1990.

NOTE 10 — DEFERRED INCOME TAXES

The following schedule shows the main differences between the combined Canadian federal and provincial statutory tax rate of 47% and the effective deferred rate. All revenue to December 31, 1980 was derived in Canada.

	1980		1979	
	(Thousands of Dollars)			
	Amount	%	Amount	%
Provision for income taxes at statutory rates	**$4,501**	**47.0**	$4,605	47.0
Add (deduct) the tax effect of:				
Non-deductible crown royalties and other provincial adjustments	**2,223**	**23.2**	2,181	22.3
Resource allowance to partially offset inclusion of crown royalties	**(1,332)**	**(13.9)**	(1,305)	(13.3)
Depletion allowance earned by exploration and development expenditures	**(535)**	**(5.6)**	(553)	(5.6)
Other	**(265)**	**(2.8)**	(315)	(3.3)
Effective deferred taxes	**$4,592**	**47.9**	$4,613	47.1

Deferred income taxes result from timing differences on the recognition of expenses for income tax and financial statement purposes.

NOTE 11 — REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

The remuneration paid to the senior officers of the Company in 1980 amounted to $479,823 (1979 $376,272; 1978 $261,945) and directors' fees amounted to $26,744 (1979 $14,467; 1978 $12,275).

NOTE 12 — SEGMENTED INFORMATION

Financial information (in thousands of dollars) is presented below for the following business segments.

A. Resource development — Canada
B. Resource development — United States
C. Oilfield construction — Canada
D. Real estate — Canada

Year ended December 31, 1980	A	B	C	D	Adjustments & Eliminations	Consolidated
Operating revenue	$ 13,491	$ —	$4,034	$1,911	$ —	$ 19,436
Gain on sale of fixed assets	—	—	44	—	—	44
Intersegment sales	—	—	—	40	(40)	—
Investment income	736	—	—	—	—	736
Total revenue	$ 14,227	$ —	$4,078	$1,951	$ (40)	$ 20,216
Operating profit	$ 5,141	$(1,020)	$ 756	$ 128	$ —	$ 5,005
Total assets	$119,312	$ 5,681	$3,310	$6,515	$(3,607)	$131,211
Depletion and depreciation	$ 2,657	$ —	$ 279	$ 85	$ —	$ 3,021
Capital expenditures	$ 28,962	$ 6,457	$ 483	$ 181	$ —	$ 36,083

Year ended December 31, 1979	A	B	C	D	Adjustments & Eliminations	Consolidated
Operating revenue	$ 12,904	$ —	$3,602	$1,779	$ —	$ 18,285
Gain on sale of fixed assets	—	—	170	—	—	170
Intersegment sales	—	—	—	55	(55)	—
Investment income	1,551	—	—	—	—	1,551
Total revenue	$ 14,455	$ —	$3,772	$1,834	$ (55)	$ 20,006
Operating profit	$ 5,429	$ —	$ 437	$ 212	$ —	$ 6,078
Total assets	$ 92,383	$ —	$2,607	$6,752	$(2,202)	$ 99,540
Depletion and depreciation	$ 2,306	$ —	$ 272	$ 62	$ —	$ 2,640
Capital expenditures	$ 24,049	$ —	$ 626	$ —	$ —	$ 24,675

Year ended December 31, 1978	A	B	C	D	Adjustments & Eliminations	Consolidated
Operating revenue	$ 11,321	$ —	$2,766	$1,532	$ —	$ 15,619
Gain on sale of fixed assets	—	—	179	—	—	179
Intersegment sales	—	—	—	26	(26)	—
Investment income	1,680	—	—	—	—	1,680
Total revenue	$ 13,001	$ —	$2,945	$1,558	$ (26)	$ 17,478
Operating profit	$ 6,204	$ —	$ 270	$ 136	$ —	$ 6,610
Total assets	$ 74,918	$ —	$2,218	$6,145	$(1,741)	$ 81,540
Depletion and depreciation	$ 1,530	$ —	$ 246	$ 59	$ —	$ 1,835
Capital expenditures	$ 16,286	$ —	$ 556	$ —	$ —	$ 16,842

NOTE 13 — INTEREST IN CERTAIN TRANSACTIONS WITH RELATED PARTIES

Numac's wholly-owned subsidiary, Numac Oil & Gas Inc., in February, 1981 entered into an oil and gas exploration and development venture in the State of Michigan with JEM Petroleum Corporation and PPG Industries, Inc. ("PPG"). The Pitcairn Company (a holder of 9.555% of the outstanding shares of Numac's common stock) has a 14.7% equity interest in PPG. Jack W. Robbins (a Director of Numac) is a Director of and has a 0.0009% interest in PPG.

Numac has entered into oil and gas exploration and development ventures in Alberta with Union Gas Limited ("Union"). Union, at March 1, 1981, held 13.67% of the outstanding shares of Numac's common stock. To December 31, 1980 Union had paid to Numac approximately $2.3 million primarily for acquisition of petroleum and natural gas rights. This amount includes management fees of $174,000. W.S. McGregor is the President and a Director of Numac and is a Director of Union. W. Darcy McKeough is the President, Chief Executive Officer and Director of Union and a Director of Numac.

NOTE 14 — OIL AND GAS ACTIVITIES

(a) — Net Revenues from Oil and Gas Production

	1980	1979	1978
Oil and gas revenues (net of royalties) from sales of proved developed oil and gas reserves to unaffiliated entities	**$8,857,823**	$8,507,190	$6,894,362
Less: Production costs	**1,348,597**	1,265,307	958,169
	$7,509,226	$7,241,883	$5,936,193

The Company derives all of its oil and gas revenues from the Canadian cost centre.

(b) — Canadian Depletion and Depreciation Expense

Year	Production of Crude Oil & Gas Equivalent barrels	Depletion Expense	Accumulated Depletion	Depreciation Expense	Accumulated Depreciation
1980	979,868	$2,204,700	$9,875,560	$414,349	$1,771,011
1979	1,145,632	$1,913,200	$7,673,860	$357,826	$1,356,662
1978	1,019,694	$1,244,027	$5,760,660	$250,704	$ 998,836

(c) — Capitalized Oil and Gas Expenditures

	1980	1979	1978
Canada			
Acquisition of oil and gas properties — unproved	**$ 9,709,139**	$10,004,419	$ 6,183,196
Exploration	**7,641,766**	10,157,700	5,770,229
Development	**8,122,504**	2,579,355	2,094,350
	25,473,409	22,741,474	14,047,775
United States, net of impairment*	**5,538,031**	—	—
Other	**3,617**	2,289	15,829
	$31,015,057	$22,743,763	$14,063,604

* At year end many of the exploration properties in which the Company's wholly-owned United States subsidiary, Numac Oil & Gas Inc., was involved were in preliminary stages of exploration and development. As a result, reserves and land values were not accurately determinable and consequently a provision for impairment of these properties in the amount of $915,000 has been provided for.

NOTE 15 — MARKET FOR COMMON STOCK AND RELATED SECURITY HOLDER INFORMATION (Unaudited)

The common shares are listed on The Toronto Stock Exchange and the American Stock Exchange. The following table sets forth the high and low sale prices for the common shares traded on these exchanges:

Period		The Toronto Stock Exchange (Canadian Dollars)		American Stock Exchange (U.S. Dollars)	
		High	Low	High	Low
1979	1st Quarter	38	26	32¾	21
	2nd Quarter	41⅛	26¼	35½	22⅝
	3rd Quarter	48¼	35¼	41⅝	30⅛
	4th Quarter	48½	34¼	41⅞	29¼
1980	1st Quarter	53	27	46	21½
	2nd Quarter	40	30½	34⅝	25¼
	3rd Quarter	39	32	34¼	27⅛
	4th Quarter	35	25¼	30½	20¼

The Company has paid semi-annual dividends on the common shares since 1978 and intends to continue this policy. The semi-annual dividend paid during 1979 and 1980 and declared for March 31, 1981 is $0.10 Canadian per Common Share. Pursuant to the Canadian Tax Act and the U.S.-Canada Tax Treaty, tax on dividends to United States residents is 10% rather than the basic Canadian withholding rate of 25%.

The Company's 9,419,132 issued common shares were held by approximately 3,203 registered holders at February 23, 1981.

NOTE 16 — QUARTERLY PUBLISHED INFORMATION (Unaudited)

(Thousands of Dollars except Per Share Amounts)

	Revenues	Costs and Expenses	Earnings Before I.T. & E.I. (1)	Earnings Before E.I. (1)	Earnings Per Share Before E.I.	Net Earnings
1980:						
1st quarter	$ 4,366	$ 2,887	$ 1,478	$ 1,020	$ 0.11	$ 1,020
2nd quarter	3,911	2,873	1,039	694	0.08	837
3rd quarter	3,721	2,017	1,704	1,145	0.13	2,902
4th quarter	8,218	3,777	4,441	2,146	0.23	2,146
	$20,216	$11,554	$ 8,662	$ 5,005	$ 0.55	$ 6,905
1979						
1st quarter	$ 4,258	$ 2,113	$ 2,145	$ 1,469	$ 0.17	$ 1,469
2nd quarter	3,497	2,159	1,337	965	0.11	1,002
3rd quarter	4,027	2,688	1,340	889	0.10	889
4th quarter	8,224	3,252	4,972	2,755	0.31	2,839
	$20,006	$10,212	$ 9,794	$ 6,078	$ 0.69	$ 6,200
1978						
1st quarter	$ 3,480	$ 1,731	$ 1,749	$ 1,187	$ 0.13 (2)	$ 1,187
2nd quarter	2,762	1,435	1,327	919	0.11 (2)	953
3rd quarter	3,398	1,842	1,556	1,066	0.12	1,066
4th quarter	7,837	2,096	5,740	3,439	0.39	3,439
	$17,478	$ 7,104	$10,374	$ 6,610	$ 0.75	$ 6,644

(1) Abbreviations: I.T. — Income Taxes
E.I. — Extraordinary Items

(2) Per share restated to reflect August, 1978 two-for-one stock split.

The fourth quarter of each of the above years includes the gain of $4,081,000 before income taxes from the Athabasca Oil Sands Agreement as described in Note 2. The third quarter of 1980 and the fourth quarter of 1979 include extraordinary gains on the sale of real estate net of taxes of $1,756,898 and $84,230 respectively. The second quarter of each of the above years includes extraordinary gains on the sale of real estate as described in Note 2. The fourth quarter of 1980 includes the provision for impairment of U.S. exploration properties of $915,000.

NOTE 17 — CURRENCY EXCHANGE FLUCTUATIONS (Unaudited)

The Canadian dollar has fluctuated in terms of the U.S. dollar and at March 1, 1981 was equivalent to $0.8321 U.S. The following is a table setting forth equivalent U.S. dollars:

	1980	1979	1978
March 31	**$0.8390**	$0.8612	$0.8812
June 30	**$0.8689**	$0.8553	$0.8905
September 30	**$0.8544**	$0.8620	$0.8445
December 31	**$0.8377**	$0.8535	$0.8435

NOTE 18 — RESERVE RECOGNITION ACCOUNTING (Unaudited)

The Securities and Exchange Commission of the United States has proposed a new accounting method. Reserve Recognition Accounting (RRA) which, during the development stage, requires the disclosure of certain supplementary information. Under RRA an asset is recognized and earnings are recorded when proven reserves are added through exploration and development activities. A dollar valuation of proven reserves is developed by estimating quantities of proven reserves on the basis of year-end prices. These values are reduced by future costs to develop and to produce the reserves, based on year-end cost estimates, and the resulting figures are reduced to present value amounts by applying a 10 percent discount factor.

As acknowledged by the SEC, this valuation does not necessarily yield an accurate estimate of the fair market value of the Company's oil and gas properties.

The following estimates are based on reserves which are located in Alberta, British Columbia and the Mackenzie Delta representing the Company's Canadian operations which have been calculated by independent consultants (McDaniel Consultants (1965) Ltd.). Owing to the non-availability of certain 1978 comparative information, estimates have been calculated where necessary. Gas reserves calculated by McDaniel are only attributed to wells either completed and on production or tested. Additional reserves will be added from wells already cased but not tested as this work is completed. Due to the recent nature of the oil and gas investment in the United States and the unavailability of reserve data at this time, these RRA figures do not include the U.S. operations.

SUMMARY OF OIL AND GAS PRODUCING ACTIVITIES ON THE BASIS OF RESERVE RECOGNITION ACCOUNTING (UNAUDITED) YEAR ENDED DECEMBER 31, 1980

		RESTATED
Additions and revisions to estimated proven oil and gas reserves, net of crown royalties	1980	1979
Extensions, discoveries and additions to estimated proven reserves	**$15,174,485**	$ 7,118,152
Changes in estimated proven reserves due to price change	**12,492,423**	15,377,762
Accretion of discount	**7,146,957**	4,438,604
	34,813,865	26,934,518
Evaluated acquisition, exploration, development and production costs:		
Increase (decrease) in present value of estimated costs	**6,634,037**	(6,764,317)
Costs incurred including impairment	**11,329,669**	9,576,205
	17,963,706	2,811,888
Additions to proven reserves over evaluated costs	**16,850,159**	24,122,630
Provision for income taxes	**2,949,504**	Nil
Results of oil and gas producing activities on the basis of Reserve Recognition Accounting	**$13,900,655**	$24,122,630

CHANGES IN PRESENT VALUE OF ESTIMATED NET REVENUE FROM PROVEN OIL AND GAS RESERVES, DISCOUNTED @ 10% (UNAUDITED) YEAR ENDED DECEMBER 31, 1980

INCREASES:	1980	1979
Additions and revisions above	**$34,813,865**	$26,934,518
(Deduct) Add: Revision of estimated future development and production costs	**(6,634,037)**	6,764,317
Net additions and revisions	**28,179,828**	33,698,835
Expenditures that reduced estimated future development costs	**362,268**	626,577
	28,542,096	34,325,412
DECREASES:		
Sales of oil and gas, net of production costs	**7,509,226**	7,241,883
Net increase	**21,032,870**	27,083,529
Beginning of year	**71,469,571**	44,386,042
End of year	**$92,502,441**	$71,469,571

ESTIMATED PROVED CANADIAN OIL & GAS RESERVES BEFORE PROVINCIAL ROYALTY DEDUCTIONS (UNAUDITED) DECEMBER 31, 1980

	Crude Oil Barrels			Natural Gas Thousands of Cubic Feet		
	1980	1979	1978	1980	1979	1978
Beginning of year	**8,002,438**	8,114,081	9,198,800	**99,349,696**	75,363,280	65,922,000
Revisions of previous estimates	**331,133**	—	(1,156,539)	**13,404,749**	—	—
Extensions, discoveries, and other additions	**161,573**	501,000	627,120	**15,372,613**	27,078,000	12,134,980
Production	**(566,947)**	(612,643)	(555,300)	**(2,433,000)**	(3,091,584)	(2,693,700)
End of year	**7,928,197**	8,002,438	8,114,081	**125,694,058**	99,349,696	75,363,280

PRESENT VALUE OF ESTIMATED FUTURE NET REVENUES FROM PRODUCTION OF PROVED OIL AND GAS RESERVES (UNAUDITED) YEAR ENDED DECEMBER 31, 1980

DISCOUNTED AT 10%	1980	1979	1978
Proved developed and undeveloped	**$92,502,441**	71,469,571	44,386,042
Proved developed	**$88,674,335**	67,629,236	40,545,707

NOT DISCOUNTED	1981	1982	1983	THEREAFTER	TOTAL
Proved developed and undeveloped	$ 8,569,415	9,055,355	9,191,852	206,131,470	$232,948,092
Proved developed	$ 8,569,415	9,055,355	9,191,852	186,391,328	$213,207,950

1. The Estimated Future Net Revenues have been computed by applying year-end prices of oil and gas to estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions.
2. The Company's proved oil and gas reserves are located entirely within Canada.
3. The Company's proved oil and gas reserves are not subject to purchase under long-term supply or similar agreements or contracts.
4. Consolidated subsidiaries of the Company do not own any oil or gas reserves.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Decreases in earnings before extraordinary items in 1979 and 1980 are primarily attributable to much higher interest and depletion expenses in both years and natural gas production decreases in 1980. Natural gas production decreased 29% in 1980 because of cutbacks in demand due to lack of natural gas markets for Alberta and British Columbia production. It is anticipated that new production going on stream in Alberta in 1981 will assist in overcoming cutbacks in established fields. Interest expense increases are attributable to record high interest rates and increased bank borrowings resulting from the Company's high level of exploration expenditures in 1979 and 1980. These very high levels of expenditure for properties and exploration drilling resulted in large increases in the per unit-of-production depletion rates thereby increasing depletion expense. Earnings were also reduced by $915,000 as a result of a provision for impairment of United States properties outlined in Note 14 to the Financial Statements.

As outlined in Note 2 to the Financial Statements, included in revenue for the years 1977 to 1980, are gains from the Athabasca Oil Sands Agreement. 1981 will be the final year for this large revenue item which is a receivable scheduled in December 1981. The effect of these gains on net earnings is reduced by the calculation of deferred income taxes which approximate 47%.

Despite lower operating earnings, net earnings for 1980 are the highest ever for the Company due to the sale of the balance of the Company's undeveloped real estate in September of 1980. This gain was $1,756,898 which, along with the real estate gain outlined in Note 2 to the Financial Statement, resulted in a gain from extraordinary items of $1,900,652 for 1980. Similar real estate gains in 1979 and 1978 amounted to $121,523 and $33,886, respectively. As all undeveloped real estate holdings have now been sold, the only extraordinary item reasonably anticipated for 1981 is a gain of $473,445 on the final instalment under the agreement for sale of land referred to in Note 2.

Numac continues into 1981 in a good financial position. The Company has a number of large assets including a substantial land inventory, conventional and non-conventional oil and gas reserves, uranium reserves and construction equipment. The Company has substantial debt capacity to fund further growth as none of these assets have been pledged as security against bank borrowings. The Company is also in a very strong financial position with respect to developing its properties due to its carried interest positions in the Midwest Lake uranium deposit, Surmont heavy oil property and Mackenzie Delta permits. No payments are required on long-term bank loans, other than the real estate loan, until 1984.

As at December 31, 1980 the Company had commitments to spend approximately $7.3 million per year for each of the years 1981, 1982 and 1983 with respect to oil and gas exploration programs in the United States. In addition to the aforesaid commitments, the Company will incur further expenditures for exploration purposes in the United States.

In Canada, the Company is obligated to provide 10% of the costs of developing the Midwest Lake uranium orebody, the anticipated development costs of which are estimated at $400 million. For fiscal 1981 the Company's budgeted share of development expenditures is $1,320,000 and thereafter the Company's share of such costs will escalate as development of the mine progresses.

In 1980 management considered it advisable to reduce the Company's bank indebtedness and strengthen its working capital position. Accordingly, in June of 1980 Numac raised $20,243,750 from the private placement of 500,000 common shares at $41 per share. In September of 1980 the Company was in registration with respect to an offering of convertible preferred securities. However, on October 28, 1980 the federal government introduced the National Energy Program which, in management's opinion, had an adverse effect on securities markets. Consequently, the Company withdrew the aforesaid proposed offering of securities. The Company may consider an offering of securities in the future, however it has no present plans to do so. Although management is of the opinion that the Company's ongoing operations are best funded from sources other than bank borrowings, the Company has a substantial bank line of credit which, combined with cash flow from operations, is adequate to finance ongoing operations.

The effect of inflation on the revenues of an oil and gas production company is limited as oil and gas prices and production are strictly regulated by provincial and federal governments. While costs of production and exploration increase with inflation, revenues increase only when governments set price and production increases. Future price in-

creases announced in the National Energy Program are discussed below.

On October 28, 1980 the Government of Canada announced a National Energy Program, the principal aspects of which are:

1. The price per barrel paid to producers of crude oil is scheduled to increase $2.00 per year for the years 1981, 1982 and 1983; $4.50 per year for the years 1984 and 1985; $7.00 per year thereafter, subject to some limitations.
2. A natural gas pricing and excise tax policy which virtually eliminates increases in netbacks to the producer for the years 1981, 1982 and 1983.
3. A new direct tax (the Petroleum and Natural Gas Revenue Tax) effective January 1, 1981 levied at the rate of 8% on oil and gas production revenues, net of lifting costs. This tax will not be deductible for income tax purposes and is calculated before deducting crown royalties.
4. A complex incentive payment system is to be implemented under which companies may apply for cash incentive payments equivalent to a percentage of "eligible" exploration and development expenditures. The amount of these payments increases with the level of Canadian ownership a company can establish. The rules to be applied in determining the level of Canadian ownership of an applicant have not yet been finalized. However, it appears Numac's Canadian ownership level will be in excess of 50% and, accordingly, it will be eligible for incentive payments.

All of the above provisions may be modified due to opposition from many interested groups, both within and outside the oil and gas industry, and the Government of Alberta which strongly disagrees with the program. Presently, Alberta is withholding development permits for two major oil sands projects and has announced crude oil production cutbacks escalating from 60,000 barrels per day on March 1, 1981 to 180,000 barrels by September 1, 1981 in opposition to the National Energy Program.

Numac Oil & Gas Ltd. and Subsidiaries

TEN YEAR REVIEW

FINANCIAL

($ Thousands, except per share amounts)

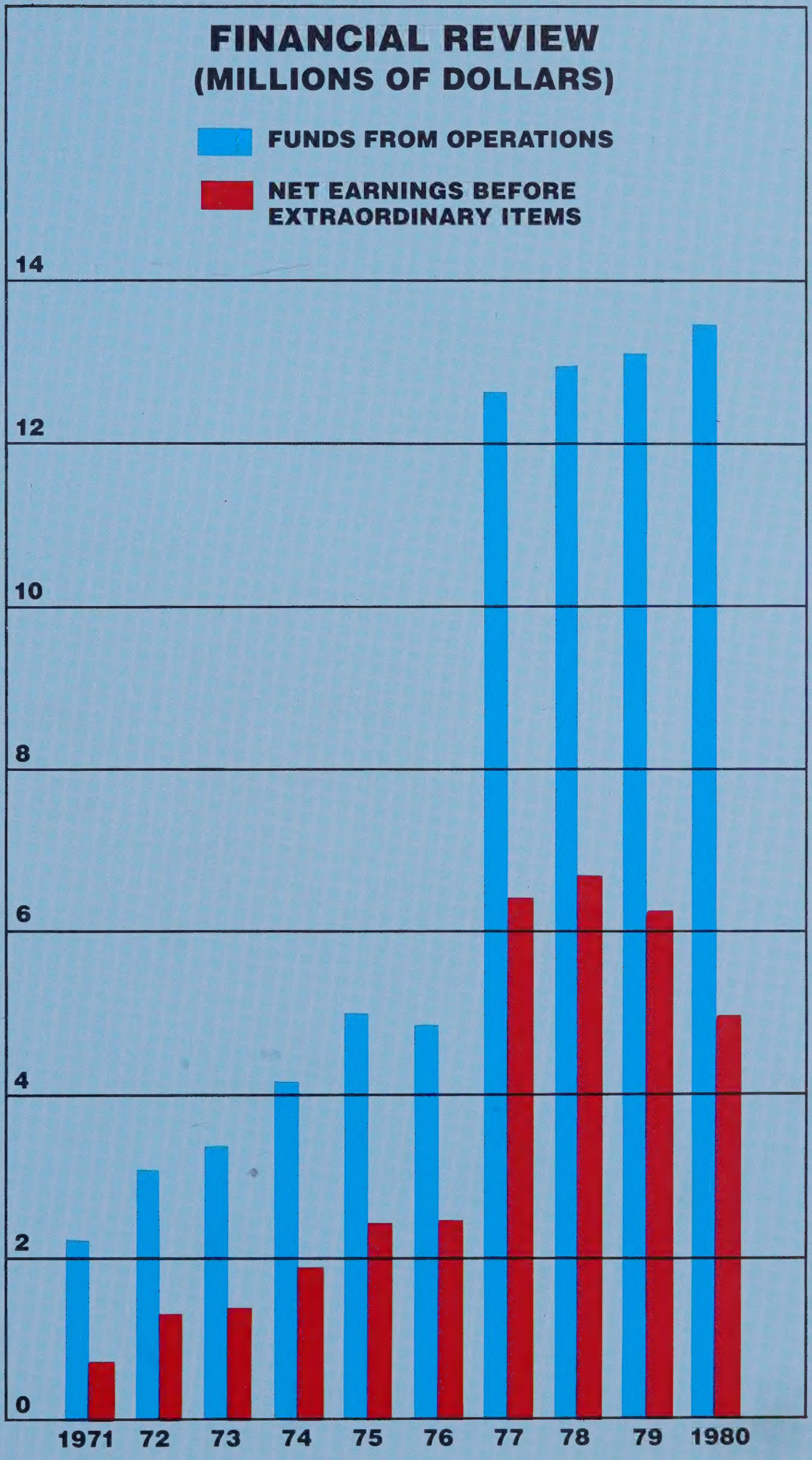
	1980	1979	1978	1977	1976	1975
REVENUE						
Oil and gas division	**$ 13,491**	$12,904	$11,320	$11,129	$ 3,374	$ 2,851
Oilfield construction	**4,078**	3,772	2,946	2,924	3,165	2,731
Real estate	**1,911**	1,779	1,532	2,162	2,791	2,723
Investment income	**736**	1,551	1,680	389	454	394
TOTAL	**20,216**	20,006	17,478	16,604	9,784	8,699
EXPENSE						
Operating	**3,811**	4,083	3,324	2,679	2,958	2,506
General and administrative	**902**	613	597	482	450	420
Interest on long-term debt	**2,319**	810	337	872	1,122	994
Other interest	**550**	2,066	1,011	593	654	116
Depletion, depreciation and amortization	**3,021**	2,640	1,835	1,470	984	933
Income taxes - current	**(935)**	(897)	(816)	(672)	(404)	(381)
- deferred	**4,592**	4,613	4,580	4,735	1,539	1,734
Provision for impairment	**915**	—	—	—	—	—
Minority interest	**—**	—	—	49	20	32
Foreign exchange	**36**	—	—	—	—	—
TOTAL	**15,211**	13,928	10,868	10,208	7,323	6,354
EARNINGS BEFORE EXTRAORDINARY ITEMS	**5,005**	6,078	6,610	6,396	2,461	2,345
EXTRAORDINARY ITEMS - Net of Tax	**1,901**	122	34	(971)	154	—
NET EARNINGS	**$ 6,906**	$ 6,200	$ 6,644	$ 5,425	$ 2,615	$ 2,345
PER SHARE*						
Earnings before extraordinary	**$ 0.55**	$ 0.69	$ 0.75	$ 0.72	$ 0.28	$ 0.27
Net earnings	**$ 0.75**	$ 0.70	$ 0.75	$ 0.61	$ 0.30	$ 0.27
Dividends	**$ 0.20**	$ 0.20	$ 0.15	$ 0.00	$ 0.00	$ 0.00
CAPITAL EXPENDITURES	**$ 36,083**	$24,675	$16,842	$11,397	$ 9,277	$ 7,433
TOTAL ASSETS	**$131,211**	$99,540	$81,547	$75,872	$53,198	$42,731
LONG-TERM DEBT	**$ 23,328**	$24,500	$ 4,793	$ 9,499	$ 8,882	$ 9,498

OPERATING

	1980	1979	1978	1977	1976	1975
PRODUCTION						
Oil - thousands of barrels	**567**	613	563	566	540	548
- thousands of cubic metres	**90**	97	89	90	86	87
Gas - millions of cubic feet	**2,433**	3,142	2,694	1,811	232	35
- thousands of cubic metres	**68,547**	88,510	75,901	51,023	6,536	986
WELLS DRILLED						
Completed	**80**	62	44	25	25	27
Abandoned	**46**	30	15	18	26	18
	126	92	59	43	51	45

* Per share amounts reflect August 1978 two-for-one stock split.

1974	1973	1972	1971
2,081	$ 1,588	$ 1,127	$ 1,128
2,568	2,516	2,554	1,907
1,551	—	—	—
481	498	431	439
6,681	4,602	4,112	3,474
1,747	910	773	964
322	282	254	241
701	—	—	—
75	29	15	34
994	1,040	811	712
(253)	—	—	—
1,177	944	919	604
—	—	—	—
26	—	—	21
—	—	—	—
4,789	3,205	2,772	2,576
1,892	1,397	1,340	898
—	—	47	694
1,892	$ 1,397	$ 1,387	$ 1,592
0.22	$ 0.16	$ 0.16	$ 0.11
0.22	$ 0.16	$ 0.17	$ 0.19
0.00	$ 0.00	$ 0.00	$ 0.00
5,681	$13,483	$ 3,079	$ 2,161
5,310	$30,727	$17,320	$15,043
9,335	$ 7,379	$ —	$ 60
537	569	456	454
85	90	72	72
39	49	50	30
1,099	1,381	1,409	845
15	14	10	8
7	6	6	10
22	20	16	18



NUMAC OIL & GAS LTD.

Incorporated under the Laws of the Province of Alberta on March 16, 1963

HEAD OFFICE

14th Floor, Petroleum Plaza — South Tower
9915 - 108 Street, Edmonton, Alberta,
Canada T5K 2G8

REGISTRARS AND TRANSFER AGENTS

The Royal Trust Company
Edmonton, Alberta; Montreal, Quebec; Toronto, Ontario

The Canadian Bank of Commerce Trust Company
New York, New York

AUDITORS

Deloitte Haskins & Sells, Edmonton, Alberta

SOLICITORS

Jackson, Arlette, MacIver & Skitsko,
Edmonton, Alberta

FORM 10-K

Copies of this report and the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States of America are available free of charge by writing to the Corporate Secretary of the Company, 9915 - 108 Street, Edmonton, Alberta, Canada T5K 2G8

STOCK EXCHANGE LISTINGS

Common Share Symbol: NMC
Toronto Stock Exchange
American Stock Exchange

METRIC CONVERSION

Canada is in the process of converting units of measure from the traditional system to a metric base, known as the International System of Units (SI). In accordance with the national conversion schedule, the petroleum industry began to use SI units in its operations on January 1, 1979. Pending more widely based public acceptance and understanding of SI units, however, operating results have been recorded in traditional units throughout this report with SI reported as a supplement where appropriate. In order to provide a perspective on the translation from traditional to SI units, a conversion table follows.

Traditional Unit	SI Unit	Conversion Factor
Mile	Kilometre	1 mile = 1.609 kilometres
Foot	Metre	1 foot = 0.305 metres
Cubic foot	Cubic metre	1 cubic foot = 0.028 cubic metres (natural gas)
Barrel	Cubic metre	1 barrel = 0.159 cubic metres (petroleum liquids)
Long ton	Tonne	1 long ton = 1.016 tonnes
Acre	Hectare	1 acre = 0.405 hectares

NUMAC
OIL & GAS LTD.